



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 5

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South Australian Water Corporation

Financial report
for the year ended
30 June 2016

South Australian Water Corporation
Statement of comprehensive income
For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Income			
Revenue from ordinary activities	5	1,505,107	1,423,702
Other income	6	5,155	4,248
Total income		1,510,262	1,427,950
Expenses			
Depreciation and amortisation expense	7	(318,395)	(311,481)
Borrowing costs	7	(336,278)	(313,707)
Electricity expense		(48,975)	(48,511)
Services and supplies		(200,264)	(165,080)
Operational and service contracts		(182,990)	(190,696)
Employee benefits expense		(121,952)	(119,714)
Total expenses		(1,208,854)	(1,149,189)
Profit before income tax equivalents		301,408	278,761
Income tax expense	8	(88,303)	(81,452)
Profit after income tax equivalents		213,105	197,309
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Gain/(loss) on revaluation of infrastructure, plant and equipment assets	30(a)	111,582	(134,519)
Revaluation of available-for-sale financial assets		2,726	1,391
Income tax relating to components of other comprehensive income	8(c)	(32,656)	40,374
Other comprehensive income for the year, net of tax		81,652	(92,754)
Total comprehensive result		294,757	104,555
Total comprehensive result for the year is attributable to:			
The SA Government as owner		294,757	104,555

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

South Australian Water Corporation
Statement of financial position
As at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	27	3,248	1,141
Receivables	9	212,614	199,513
Inventories	10	6,946	6,800
Other financial assets	11	980	-
Other current assets	12	12,181	7,426
Total current assets		235,969	214,880
Non-current assets			
Available-for-sale financial assets	13	30,561	27,835
Deferred tax assets	14	45,967	38,314
Intangible assets	15	173,724	190,952
Infrastructure, plant and equipment	16	13,604,021	13,485,734
Total non-current assets		13,854,273	13,742,835
Total assets		14,090,242	13,957,715
LIABILITIES			
Current liabilities			
Payables	17	189,619	156,973
Financial liabilities/borrowings	18	25,778	32,210
Tax liabilities	19	9,783	3,073
Provisions	20	16,843	16,477
Other current liabilities	21	30,204	30,238
Total current liabilities		272,227	238,971
Non-current liabilities			
Payables	22	2,512	2,510
Financial liabilities/borrowings	23	6,333,126	6,329,030
Deferred tax liabilities	24	1,661,716	1,647,087
Provisions	25	30,957	30,822
Other non-current liabilities	26	380,250	389,680
Total non-current liabilities		8,408,561	8,399,129
Total liabilities		8,680,788	8,638,100
Net assets		5,409,454	5,319,615
EQUITY			
Contributed equity		173,610	173,610
Asset revaluation surplus	30(a)	4,923,535	4,844,100
Retained earnings	30(b)	312,309	301,905
Total equity		5,409,454	5,319,615

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

South Australian Water Corporation
Statement of changes in equity
For the year ended 30 June 2016

Notes	Asset			Total \$'000
	Contributed equity \$'000	revaluation surplus \$'000	Retained earnings \$'000	
Balance at 1 July 2015	173,610	4,844,100	301,905	5,319,615
Profit for the year	-	-	213,105	213,105
(Loss)/gain on revaluation on infrastructure, plant and equipment assets	30	-	111,582	111,582
Revaluation of available-for-sale financial assets	30	-	2,726	2,726
Transfer to retained profits on disposal	30	-	(2,217)	(2,217)
Transfer from infrastructure, plant and equipment revaluation surplus	30	-	2,217	2,217
Income tax relating to components of other comprehensive income	8(c)	-	(32,656)	(32,656)
Total comprehensive result for the period	-	79,435	215,322	294,757
Transactions with the SA Government in their capacity as owners:				
Dividends provided for or paid	34	-	(204,918)	(204,918)
Balance at 30 June 2016	173,610	4,923,535	312,309	5,409,454

Notes	Asset			Total \$'000
	Contributed equity \$'000	revaluation surplus \$'000	Retained earnings \$'000	
Balance at 1 July 2014	173,610	7,638,068	287,361	8,099,039
Profit for the year	-	-	197,309	197,309
(Loss)/gain on revaluation on infrastructure, plant and equipment assets	30	-	(134,519)	(134,519)
Revaluation of available-for-sale financial assets	30	-	1,391	1,391
Transfer to retained profits on disposal	30	-	(1,214)	(1,214)
Transfer from infrastructure, plant and equipment revaluation surplus	30	-	1,214	1,214
Income tax relating to components of other comprehensive income	8(c)	-	40,374	40,374
Total comprehensive result for the period	-	(93,968)	198,523	104,555

Transactions with the SA Government in their capacity as owners:

Dividend - debt transfer from the SA Government	34	-	(2,700,000)	-	(2,700,000)
Dividends provided for or paid		-	-	(183,979)	(183,979)
		-	(2,700,000)	(183,979)	(2,883,979)
Balance at 30 June 2015		173,610	4,844,100	301,905	5,319,615

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

South Australian Water Corporation
Statement of cash flows
For the year ended 30 June 2016

	2016	2015
Notes	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	1,372,456	1,298,280
Payments to suppliers and employees	(563,715)	(578,109)
Interest received	380	521
Receipts from Community Service Obligation funding	129,293	128,989
Receipts from contributions	9,642	7,558
Receipts from Government Grants	99	836
Borrowing costs paid	(336,727)	(294,418)
Income tax equivalents paid	(107,273)	(109,320)
Net cash inflow from operating activities	28 <u>504,155</u>	454,337
Cash flows from investing activities		
Payments for construction and purchase of infrastructure, plant and equipment	(280,098)	(238,812)
Payments for intangible assets	(20,847)	(12,493)
Proceeds from sale of intangible assets	4,426	3,405
Proceeds from sale of infrastructure, plant and equipment	972	1,493
Proceeds from sale of renewable energy certificates	754	-
Net cash (outflow) from investing activities	<u>(294,793)</u>	(246,407)
Cash flows from financing activities		
Proceeds from borrowings*	1,163,523	867,700
Repayment of borrowings	(1,157,900)	(884,900)
Dividends paid*	34 (204,918)	(183,979)
Repayments of finance lease liability	(7,960)	(7,117)
Net cash(outflow) from financing activities	<u>(207,255)</u>	(208,296)
Net increase/(decrease) in cash and cash equivalents	2,107	(366)
Cash and cash equivalents at the beginning of the financial year	1,141	1,507
Cash and cash equivalents at end of period	27 <u>3,248</u>	1,141

* Borrowings increased by \$2.7 billion in 2014/15 due to debt transfer from the SA Government, however this occurred through government mechanisms that did not involve a cash transfer, hence no cash flows were shown on the Statement of Cash Flow (Refer to Note 34).

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

1 Summary of significant accounting policies

The South Australian Water Corporation ("SA Water" or the "Corporation") was established on 1 July 1995, as a State owned statutory corporation by the *South Australian Water Corporation Act 1994*, to which the provisions of the *Public Corporations Act 1993* apply. SA Water provides retail water supply and sewerage services in accordance with its licence, provided by the *Water Industry Act 2012* (the Act) which came into operation on 1 July 2012. The Act repealed the *Waterworks Act 1932*, *Sewerage Act 1929* and *Water Conservation Act 1936*.

The Corporation 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 Corporation has applied Australian Accounting Standards that are applicable to for profit entities, as the Corporation 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 the Corporation for the reporting period ending 30 June 2016.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. South Australian Water Corporation is a for-profit entity for the purpose of preparing the financial statements.

The preparation of financial statements requires:

-the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;

-accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, and the substance of the underlying transactions or 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;

b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income);

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 Corporation to those employees; and

d) employee targeted voluntary separation package information.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

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 financial statements are authorised for issue by the Board.

Change in accounting policy

There were no changes in accounting policy during the financial period.

Historical cost convention

The financial statements have been prepared in accordance with the historical cost convention, except for infrastructure, plant, equipment, available-for-sale financial assets, and derivative financial instruments which are stated using fair value as detailed in the relevant notes.

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.

Rounding

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

(b) Jointly controlled operations

The Corporation's jointly controlled operation is brought to account by including its proportionate share of the operation's assets, liabilities, expenses and revenues on a line by line basis. For disclosure of the Corporation's interest in the joint controlled operation refer to note 32.

(c) Revenue recognition

Rates and charges

Revenue from water usage is based on water consumed throughout the year by customers. The annual water and sewer rates charges for a financial year are earned and billed during that financial year. Other rates and charges are based on amounts billed during the financial year. Refer to note 5.

SA Water sets its water and sewer prices in accordance with ESCOSA's allowable revenue.

1 Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

Unbilled revenue

SA Water accrues the consumption and associated revenue that is calculated to have been consumed throughout the year. The underlying revenue recognition principle is to recognise revenue in the period it is earned, rather than billed. The calculation is based on state-wide water supplied, customer billing information, and an assessment of non-revenue water.

Community service obligations (CSOs)

The Corporation is required under its charter to provide a number of non commercial services to the community on behalf of the Government. The Government, after negotiations with SA Water, provides SA Water with funding to compensate for these non commercial activities. The main CSOs relate to under recovery of country water and sewer services (due to the requirement for state wide pricing) and the provision of water and sewer concessions to certain properties e.g. charities, churches, public schools and remote communities.

The CSO revenue is recognised as the services are provided.

Contributed assets

Contributed assets principally arise from:

- (i) Consumers who make a contribution where a service or connection has been requested which requires construction of a new main; and
- (ii) Developers who make contributions where either:
 - a) water and sewer infrastructures are constructed by developers and transferred to SA Water. The contribution recognised is equivalent to the Corporation's estimated cost of construction; or
 - b) the Corporation constructs the infrastructure at the developer's request.

Contributed assets are recognised when the assets are received. Contributions to constructed assets are recognised when the assets are constructed. Revenue recorded in advance of the assets construction is recognised as unearned revenue.

Disposal of non-current assets

The gain or loss on disposal of non-current assets is recognised at the date that control of the asset passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and net proceeds from the sale. Upon disposal or derecognition, any asset revaluation surplus relating to a particular asset being sold is transferred to retained earnings.

Recoverable works

Revenue derived from the provision of services to external parties is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured.

Government grants

In accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*, grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Corporation will comply with all attached conditions to the grant.

1 Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

Government grants (continued)

Government grants relating to construction of infrastructure, plant and equipment are initially recognised as unearned revenue (current and non-current liability) and then transferred to income over the periods, and in the proportions, in which depreciation on those assets is charged.

(d) Expenses

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

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

The following are specific recognition criteria:

Employee benefits expenses

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

Superannuation

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

Supplies and services

Supplies and services generally represent cost of goods sold and the day to day running costs, including maintenance costs, incurred in the normal operations of the Corporation. These items are recognised as an expense in the reporting period in which they are incurred. The Corporation undertakes major cyclical maintenance on its infrastructure assets. Costs associated with this are recorded as an expense unless they add to the service potential of the existing asset.

Operational and service contracts

Operational and service contracts include the Adelaide Services Alliance Agreement (Allwater), Adelaide Desalination Plant (ADP) operations and maintenance contract, contracts relating to information and communications technology, treatment plants and miscellaneous operational and service contracts. These items are recognised as an expense in the reporting period in which they are incurred.

Depreciation

Refer to Note 1(e).

Borrowing costs

Borrowing costs include interest expense, government guarantee fees, South Australian Finance Authority (SAFA) margins and finance lease charges.

In accordance with the *Accounting Policy Framework (APF II) General Purpose Financial Statements Framework* and *AASB 123 Borrowing Costs*, borrowing costs attributable to the acquisition or construction of infrastructure, plant and equipment are capitalised after considering materiality.

1 Summary of significant accounting policies (continued)

(d) Expenses (continued)

Borrowing costs (continued)

The Corporation has not capitalised borrowing costs in the year as the proportion related to the acquisition and construction of infrastructure was assessed as not material.

(e) Non-current assets

Infrastructure, plant and equipment

Acquisition

Items of infrastructure, plant and equipment are initially recorded at cost in accordance with AASB 116 *Property, Plant and Equipment*, and are depreciated as outlined below. Assets acquired under Build Own Operate Transfer (BOOT) agreements are brought to account when commissioned. Refer to Note 16.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Valuations

To comply with the *Accounting Policy Framework (APF) III Asset Accounting Framework*, AASB 13 and AASB 116, the Corporation has adopted the fair value method for measuring and reporting land and buildings and infrastructure assets in the Statement of Financial Position. Refer to note 3 for disclosures regarding fair value levels. The Corporation uses both independent valuation and Directors' valuation methods to measure fair value. Depending on the class, Directors' valuation is performed using the Producer Price Index (PPI) or current contract rates. PPI measures changes over time in the price of new construction outputs. The PPI used is the Australian Bureau of Statistics Index Number 3101 "Road and Bridge Construction South Australia". Current contract rates are based on recently determined market contract rates for supplying and installing equivalent assets or components.

The Corporation's valuation methodologies, for all major classes of infrastructure assets, are subject to independent review when a change in the valuation method occurs. In addition to this, a complete independent review of these methodologies was completed by Aquentia Consulting Pty Ltd in April 2015. This review endorsed how individual classes are classified and concluded the assumptions/positions adopted by SA Water in its valuation methodologies are reasonable.

Revaluation adjustments are taken to the asset revaluation surplus on a class basis, with the exception of land and buildings which are adjusted on an asset by asset basis.

Infrastructure assets

In the majority of cases, the fair value of SA Water's infrastructure assets is the lower of modern equivalent reproduction or replacement cost. The cost of replacing or reproducing excess capacity or over engineering of the asset is excluded from the value. The modern equivalent reproduction or replacement cost is determined through an independent valuation process. The valuation is then reduced to allow for the age of the asset.

Infrastructure assets were valued as follows:

- The unit rates for water mains/connections and sewer mains/connections, were independently determined by Aquentia Consulting as at 1 July 2015. These rates are applied to the actual lengths of pre-defined modern equivalent asset types for water mains and sewer mains.

1 Summary of significant accounting policies (continued)

(e) Non-current assets (continued)

Infrastructure, plant and equipment (continued)

Valuations (continued)

Infrastructure assets (continued)

- Other infrastructure assets are independently valued on a cyclical basis at least every 5 years. In the intervening periods the assets are indexed annually as at 1 July using the appropriate PPI. Assets independently valued during the financial period were the sewer pumping stations and buildings, they were independently valued by Aquenta Consulting as at 1 July 2015.

The previous independent valuations were:

- Wastewater treatment plants were independently valued by Aquenta Consulting as at 1 July 2014
- Water filtration plants were independently valued by Aquenta Consulting as at 1 July 2013.
- Water dosing stations and earth storages were independently valued by Aquenta Consulting as at 1 July 2012. Reservoirs were independently valued by Entura (Hydro Tasmania) as at 1 July 2012.
- Leased water treatment plants, water pumping stations, water tanks, and bores and wells were independently valued by Aquenta Consulting as at 1 July 2011.

Land and buildings

Land is independently valued at market value generally using valuations as at 1 July provided from the State Valuer General. In isolated cases, the Corporation may use independent valuations performed by an appropriately qualified valuer. The Valuer General uses site values of generically similar allotments to arrive at a unit rate used to assign a value to individual parcels. Rates depend on whether the site is residential, industrial or commercial.

Buildings are independently valued on a cyclical basis at least every 5 years. In the intervening periods the assets are indexed annually as at 1 July using the appropriate PPI. Buildings were last independently valued by Aquenta as at 1 July 2015.

1 Summary of significant accounting policies (continued)

(e) Non-current assets (continued)

Infrastructure, plant and equipment (continued)

Valuations (continued)

Plant and equipment

Plant and equipment is valued at cost which is deemed to be its fair value.

Other property, plant and equipment

Other assets are valued at cost which is deemed to be its fair value and indexed annually using the PPI.

Work in progress

Work in progress is carried at cost which is deemed to be its fair value.

Unobservable inputs

SA Water's infrastructure, plant and equipment, with the exception of land, is disclosed as Level 3 in the fair value measurement hierarchy described in Note 3.

This is due to the fair value of the assets being determined with reference to unobservable inputs. The main unobservable input is the useful life of the asset and rates supplied from the independent valuation.

Depreciation

Infrastructure, buildings, plant and equipment and other assets are depreciated using the straight line method over their estimated useful lives ranging from 2 to 170 years. The useful lives of assets are reviewed annually and have been assessed as follows:

<u>Class of assets</u>	<u>Useful life (years)</u>
-Water and sewer	7 - 170 years
-Water and sewer leased assets	20 - 50 years
-Buildings	50 years
-Other	2 - 50 years
-Plant and equipment	3 - 15 years

The method of depreciation has regard to the underlying nature of the assets and their expected use in operations of the Corporation. Work in progress is not depreciated until assets are completed and have been commissioned for operation.

Financial assets (available-for-sale)

The Corporation was a participant to the funding arrangements for the Virginia Pipeline Scheme (VPS). SA Water's involvement in this scheme will result in an option at the end of the contract to acquire the scheme. The scheme distributes "Class A" reclaimed water from the Bolivar Wastewater Treatment Plant throughout the Virginia region for the irrigation of seasonal crops and fixed plantings. As part of the arrangement, the Corporation made advances to the operating company of VPS, Water Reticulation Systems (Virginia) Pty Ltd (WRS), a subsidiary of Euratech Limited. Advances to WRS were converted to non voting class B shares, issued at a price of \$1 per share.

1 Summary of significant accounting policies (continued)

(e) Non-current assets (continued)

Infrastructure, plant and equipment (continued)

Financial assets (available-for-sale) (continued)

The Corporation's investment in non voting class B shares has been measured at fair value, in accordance with *AASB 139 Financial Instruments: Recognition and Measurement*. Due to the nexus between the class B shares and the pipeline assets, the fair value of the shares has been determined using the projected written down current cost of the pipeline assets in 2018 discounted to net present value. The VPS is designated as an available-for-sale financial asset and all subsequent gains or losses arising from the changes in fair value are recognised in the available-for-sale revaluation surplus. The methodology of valuation of VPS was independently reviewed by Leadenhall VRG Pty Ltd in 2009, and no change to the valuation method has occurred since that review.

Intangible assets

Issued water licences

The South Australian Government has issued water licences to the Corporation under the *Natural Resources Management (NRM) Act 2004*. Some of these licences have conditions attached which restrict the use of the allocations endorsed thereon. In applying AASB 138 Intangible Assets, the Corporation has concluded that a reliable estimate of the fair value of these water licences cannot be determined because there are no active markets for the rights endorsed on the licences. As there is no active market, these licences are held by the Corporation at nominal value.

The details of these water licences are as follows:

Rights other than those relating to the River Murray are:

- Various South East Region licences;
- Various Murray Mallee Area licences;
- Various Eyre Peninsula Region licences;
- Licence 4484 McLaren Vale licence for the Aldinga Wastewater Treatment Plant;
- Licence 5706 Northern Adelaide Plains licence for the Bolivar Wastewater Treatment Plant; and
- Licence 222596 Western Mount Lofty Ranges.

River Murray water rights are conferred via multiple instruments:

- Licence 2333 River Murray licence for metropolitan Adelaide; and
- Licence 2334 River Murray licence for country towns.

Other Water rights - permanent

The Corporation owns a series of tradable water rights that it has purchased. The rights are perpetual and title is held by the Corporation under the relevant legislation in the jurisdiction of issue (as water access entitlements onto licences issued by the South Australian Government under the NRM Act 2004 (SA), as water shares issued by the Victorian Government under the Water Act 1989 (VIC), and as unit shares issued by the New South Wales Government under the Water Management Act 2000 (NSW)). These rights comprise:

1 Summary of significant accounting policies (continued)

(e) Non-current assets (continued)

Infrastructure, plant and equipment (continued)

Intangible assets (continued)

Other Water rights - permanent (continued)

- River Murray entitlements under the *Natural Resources Management Act (NRM) Act 2004 (SA)*;
- Goulburn Zone 1A and Murray Zone 7 high reliability water shares held under the *Water Act 1989 (VIC)*; and
- NSW Murray Regulated River high security unit shares held under the *Water Management Act 2000 (NSW)*.

The allocations made to these water rights are able to be transferred within the Southern Murray Darling Basin including South Australia.

In accordance with the requirements of *APF III* covering valuation of intangible assets, the water rights are valued at cost. The water rights have an indefinite useful life and as such are not subject to amortisation.

Seasonal water allocations

In addition to the permanent water rights above, during 2008/09 and 2009/10 the Government granted approval for SA Water to purchase seasonal water allocations to be used for critical human water needs in future years. SA Water also purchased water allocations for operational needs. Prior to June 2012 the Government had approved the water allocations being preserved beyond 2011/12 and retained as a reserve to meet critical human water needs in future years. These purchased water allocations are held as other assets in the accounts and are expensed as the water is used. At 30 June 2016, the Corporation's water allocation issued by DEWNR recorded a permanent reduction in available water of 52GL. This reduction has been recorded as an expense in the Corporation's 2015/16 financial statements.

Prescription of the Mount Lofty Ranges

SA Water has previously contributed towards the prescription of the water resources for the Mount Lofty Ranges to provide long term protection of the water supply to Adelaide. On the 14th June 2013 SA Water was issued licence 222596 pertaining to storage and diversion rights for streams in the Western Mount Lofty Ranges.

Easements

In accordance with *APF III* Asset Accounting Framework, easements are classified as an intangible asset and valued at cost. Easements gifted to the Corporation are not valued.

Application software

Application software is valued at cost as per AASB 138 *Intangible Assets*. The useful life is reviewed annually and has been assessed at 5 years. The software is amortised using the straight line method.

ADP intangible asset

An intangible asset exists in relation to the network connection agreement between SA Water and SA Power Networks. The agreement grants the Corporation the legal right to connect to the SA Power Networks substation constructed at Port Stanvac and thus acquire electricity for the Adelaide Desalination Plant (ADP) at the rates specified in the agreement. In accordance with AASB 138 *Intangible Assets*, this right was recognised in 2012/13 as an intangible asset and is measured at the construction cost of the SA Power Networks substation.

1 Summary of significant accounting policies (continued)

(e) Non-current assets (continued)

Infrastructure, plant and equipment (continued)

Intangible assets (continued)

ADP intangible asset (continued)

The useful life is based on the average useful life of the ADP assets belonging to SA Water upon which the intangible asset is dependent as per AASB 138 Intangible Assets. As with other non-current assets, the useful life of the intangible asset is assessed annually and is currently 41.75 years. The ADP intangible asset is amortised using the straight line method.

(f) Impairment of assets

All non-current tangible and intangible assets are reviewed 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 any impairment loss is offset against the relevant asset revaluation surplus until fully extinguished with any remaining amount expensed in the Statement of Comprehensive Income.

The Corporation has reviewed its assets as at 30 June 2016. There has been no indications of impairment other than purchased seasonal water allocations, a write off in value of purchased seasonal water allocations has been recognised as an expense in the Statement of Comprehensive Income.

(g) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement in order to reflect the risks and benefits incidental to ownership.

Operating leases

Minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are recognised as an expense in the Statement of Comprehensive Income. Equal payments are made over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

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 Corporation in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight line basis.

Finance leases

Leases for infrastructure assets, where substantially all the risks and benefits incidental to ownership of the asset but not the legal ownership are assumed by the Corporation, are classified as finance leases. Finance leases are capitalised and depreciated over the useful life of the asset in accordance with AASB 117 Leases.

The Corporation has previously entered into Build Own Operate Transfer (BOOT) agreements for a number of infrastructure facilities. These BOOT agreements include the requirement for an ongoing availability tariff, as escalated over time by certain indices, for the term of the agreement.

1 Summary of significant accounting policies (continued)

(g) Leases (continued)

Finance leases (continued)

BOOT agreements have been classified as finance leases, with a lease asset and lease liability being recognised upon commissioning of the underlying asset. The lease asset is brought to account at the fair value of the underlying assets constructed. The equivalent liability is recognised at the present value of the future availability charges. These have been determined at the inception of the lease and do not take account of any future estimated escalation.

Variation between the availability charges determined at the inception of the lease and the actual availability charges are brought to account as contingent rentals in accordance with AASB 117. Availability charges are allocated between interest expense and a reduction in the lease liability, with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Comprehensive Income.

(h) Taxes

SA Water is liable for income tax equivalents, land tax and council rates, payroll tax, fringe benefits tax, goods and services tax (GST) and emergency services levy.

Income tax equivalents

From 1 July 2001, the Corporation has operated under the National Tax Equivalent Regime (NTER) pursuant to the Memorandum of Understanding on NTER between the Commonwealth of Australia, the Commissioner of Taxation and all of the States and Territories. The NTER is administered by the Australian Taxation Office.

Income tax expense is calculated in accordance with AASB 112 Income Taxes using the balance sheet liability method. The income tax expense for the period is the tax payable on the current period's taxable income measured at the current national income tax rate adjusted for permanent differences and movements in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Corporation expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or liabilities are settled. Current and deferred tax is recognised as an expense in the Statement of Comprehensive Income except where it relates to items that are credited or debited to equity, in which case the deferred tax is also recognised directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Land tax and council rates

The charge for land tax and council rate equivalents has been calculated by Revenue SA, based on valuations supplied by the Valuer General.

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 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.

1 Summary of significant accounting policies (continued)

(h) Taxes (continued)

Goods and services tax (continued)

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.

(i) Cash and cash equivalents

Cash on hand and at bank is stated at nominal value. For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank.

(j) Receivables

Receivables for rates and charges and sundry debtors are normally settled within 21 days. These are recognised in the accounts as amounts due. Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised based on a review of outstanding amounts at balance date.

Bad debts are written off when they are identified.

(k) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of goods and services, if any, manufactured by SA Water are on a full absorption cost basis.

Inventories are held for purposes of maintenance and construction and not for resale.

(l) Employee benefits

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

Wages and salaries, annual 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 is expected to be payable within twelve 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

Liabilities arising in respect of long service leave expected to be settled within twelve months of balance date are measured at their nominal rates. All other long service leave entitlements are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to anticipated future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on negotiable government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash flows. The related on costs have been recognised in the Statement of Financial Position as payables.

1 Summary of significant accounting policies (continued)

(l) Employee benefits (continued)

Long service leave (continued)

The Corporation's long service leave liability for 30 June 2016 was valued by KPMG Actuarial Pty Ltd.

Superannuation

Contributions are made by the Corporation to the state government superannuation scheme and several non-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 superannuation schemes. The only liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.

(m) Workers compensation

The Corporation is registered with ReturntoWorkSA as an exempt employer and is responsible for payment of workers compensation claims. The provision is for the estimated cost of ongoing payments to employees as required under current legislation. The Corporation's provision is an actuarial estimate of the outstanding liability as at 30 June 2016 provided by KPMG Actuarial Pty Ltd.

(n) Insurance

SAFA, SAICORP Division, has assumed responsibility and liability for, and will indemnify SA Water against, damage suffered to the Corporation's property or claims made against the Corporation subject to SA Water's deductible. In addition, insurance arrangements are in place for construction works, travel insurance and Director and Officer liabilities.

Workers compensation risks, for which the Corporation is responsible, are excluded from these arrangements.

(o) Payables

Liabilities, whether or not yet billed to the Corporation, are recognised as amounts to be paid in the future for goods and services received, including any related GST. Trade accounts payable are normally settled within 30 days.

Dividends paid and payable are recognised in the reporting period in which the dividends are declared or have been specifically determined and approved in consultation with the Treasurer and the Corporation's Minister.

(p) Provisions

Provisions are recognised when the Corporation 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 Corporation 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.

Damages and claims

A provision is recognised for claims against the Corporation relating to property damage, personal injury and civil liability.

1 Summary of significant accounting policies (continued)

(p) Provisions (continued)

Damages and claims (continued)

The amounts measured and recorded for claims are based on estimates of specified claims and the probability that the Corporation will be required to settle the obligation. Previous claims history and the Crown Solicitor's Office advice is used in the determination of the liability.

Asset disposal and site rehabilitation

A provision for the disposal and abandonment of assets is recognised when there is a present obligation to undertake further work to decommission surplus assets and ensure they are safe to the public and do not cause harm to the environment.

The estimated costs of site rehabilitation and decommissioning non-current assets are based on past experience and current market prices.

Employee benefits and workers compensation

SA Water provides for employee benefits expenditure and workers compensation claims as described in notes 1(l) and 1(m).

(q) Borrowings

All SA Water's borrowings are measured at their historical value. The Corporation has a long term and short term borrowing facility with the South Australian Government Financing Authority (SAFA). The loans are denominated in Australian dollars and carry both fixed and floating interest rates. The Government provides a guarantee in respect of these borrowings pursuant to the provisions of the *Public Finance and Audit Act 1987*.

Under a mandate from the State Treasurer, the Corporation transferred debt management responsibilities to SAFA effective from 1 July 2004. SA Water's debt portfolio is managed by SAFA under a Liability Management Service Agreement and within requirements outlined in SA Water's Treasury Risk Management Policies.

(r) Derivatives

The Corporation's Treasury Risk Management Policies and Energy Price Risk Management Policies provide a prudential framework for the management of the Corporation's financial risks including interest rate risk, foreign exchange price risk and commodity price risk. Within the parameters of the Corporation's Permitted Treasury Instruments Policy and Energy Policies, SA Water utilises derivative financial instruments for foreign exchange and commodity price risk to implement appropriate financial risk mitigation strategies. Interest rate risk arising from borrowings is managed in accordance with the debt management strategies outlined in note 2(a)(i).

Foreign exchange derivatives

Foreign exchange risk represents the risk resulting from contractual obligations to buy or sell goods and or services in a currency other than Australian dollars or where the price is quoted in Australian dollars, and the quoted price is dependent upon a foreign currency price component. The foreign currency value of the goods or services to be bought or sold, or the value of the foreign currency price component is deemed to be the Corporation's exposure to price risk.

1 Summary of significant accounting policies (continued)

(r) Derivatives (continued)

Foreign exchange derivatives (continued)

Foreign currency derivatives are used on a needs basis to ensure any identified foreign currency exposures are appropriately managed in line with SA Water's Foreign Exchange Risk Management Policy and Treasurer's Instruction 23 *Management of Foreign Currency Exposures*. Permitted foreign currency derivatives as outlined in SA Water's Permitted Treasury Instruments Policy include spot and forward foreign currency contracts and currency options to maximum maturity of 3 years. In all instances, SA Water's foreign exchange hedging requirements are arranged through SAFA.

As at 30 June 2016, SA Water had no outstanding foreign exchange derivatives.

Electricity derivatives and non-derivatives

Electricity price risk represents the risk of unfavourable movements in wholesale electricity prices which could adversely impact the Corporation's electricity costs. The Corporation uses a combination of derivative and non-derivative financial instruments to economically manage electricity price risk and to mitigate against exposure to fluctuations in wholesale electricity spot prices.

Electricity derivatives include exchange traded futures and settlement residue auction units.

Non-derivative forward contracts are treated as executory contracts and are not within the scope of AASB 139. The Corporation is prohibited from the selling and early termination of derivative and non-derivative financial instruments.

Permitted electricity derivatives are outlined in the SA Water's Energy Price Risk Management Policies.

Accounting for derivatives

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

All derivatives are categorised as financial assets or financial liabilities at fair value through profit and loss (FVTPL) and classified as economic hedges in the statement of financial position as the Corporation has elected not to apply hedge accounting under AASB139.

Derivatives are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. Any changes in the fair value of derivatives are recognised immediately as an adjustment to other income or other expenses in the Statement of Comprehensive Income.

Electricity derivatives are remeasured to fair value with reference to published market prices and quotations.

Consistent with SA Water's Treasury and Energy Price Risk Management Policies, derivative financial instruments are transacted as economic hedges of cash flow exposures and are not held for speculative purposes.

(s) Administered items

The following administered items are not recognised in the Corporation's Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows, but are separately disclosed as administered items in note 38.

River Murray levy

The Corporation is responsible for administering the Save the River Murray levy. The River Murray levy billed and collected on behalf of Government is not controlled by the Corporation. The Corporation ceased billing this levy at 1 July 2015, but continued to collect the outstanding debt billed prior to 1 July 2015.

1 Summary of significant accounting policies (continued)

(s) Administered items (continued)

River Murray levy (continued)

Pensioner concessions

SA Water is responsible for the administration of Local Government pensioner concession payments. An amount is received from SA Government which is used to make payments to Local Government Councils. The amount collected on behalf of Government is not controlled by the Corporation. The administration of this item for the SA Government ceased at 1 July 2015.

(t) Adelaide Services Alliance Agreement

In March 2011 the Corporation entered into an Alliance contract to operate, manage and maintain Adelaide's metropolitan water, sewer and recycled water services. The Alliance contract commenced on 1 July 2011 for a term of 10 years, plus an option for the Corporation to extend the contract for a further 6 years in 12 month increments. The Alliance contract includes flexible mechanisms to alter and adjust the scope of services and delivery parameters and is managed through an extensive performance management regime covering all elements of operational service delivery.

(u) Adelaide Desalination Plant (ADP)

In 2008/09 SA Water Corporation awarded the Design, Build, Operate and Maintain (DBOM), Transfer Pipeline System and ETSA (SA Power Networks) agreements for the Adelaide Desalination Project (ADP). These contracts comprised the design and construction of a seawater desalination plant, marine works, transfer pipeline system and power supply infrastructure to support a 100 GL per annum capacity plant and also included ongoing operation and maintenance of the ADP for 20 years. Project handover of the 100 GL per annum plant to the operator was achieved on 12 December 2012, with successful completion of the two year proving period in December 2014.

In addition, the Corporation has entered into contracts to:

Operate and maintain the ADP from the project handover date for a term of 20 years and includes flexible mechanisms to manage the volume of water produced and requirements for scheduled maintenance.

Provide Green Power accredited renewable energy from sources in SA to operate the ADP and Transfer Pipeline System. The contract commenced on 1 June 2011 for a term of 20 years and includes the flexibility to purchase a minimum level of renewable energy certificates that can be banked for future use by the Corporation, used elsewhere in the business or declared surplus and sold.

(v) New accounting standards and interpretations

The Corporation did not change any of its accounting policies during the year.

Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Corporation for the period ending 30 June 2016. The Corporation has assessed the AASB 108 para 30 and 31 impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Corporation apart from those described for leases.

AASB 16 Leases will apply for the first time to the 30 June 2020 financial report. This standard will require SA Water 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.

2 Financial risk management

(a) Market risk

(i) Interest rate risk exposures - financial liabilities

The Corporation's financial liabilities are exposed to interest rate risk. The Corporation constantly analyses its interest rate exposure and consideration is given to potential renewals of existing positions, use of alternative risk mitigation strategies and the mix of fixed and variable interest rates.

A key component of the Corporation's interest rate risk management framework is the requirement for a permissible duration range to be maintained, which reflects the average term to maturity of the Corporation's core debt portfolio. The permissible duration range is 2.1-4.9 years based on advice from the Corporation's debt advisor and manager - the South Australian Financing Authority (SAFA).

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date, assuming all other variables are held constant. The movements in post tax profit and equity for the year are due to higher/lower interest costs from floating rate debt and cash balances. The movement in interest expense is estimated by applying the interest rate movement to the balance of floating rate debt and cash balances outstanding at balance date.

At 30 June 2016 it has been assumed that a reasonable possible shift in interest rates over the next reporting period could be 0.5% upwards and 0.5% downwards.

	Carrying amount \$'000	Interest rate risk			
		-0.5%	+0.5%	-0.5%	+0.5%
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
30 June 2016					
Financial assets					
Cash and cash equivalents	3,248	(11)	(11)	11	11
Financial liabilities					
Short term borrowings	(16,874)	59	59	(59)	(59)
Total increase/(decrease)		48	48	(48)	(48)

	Carrying amount \$'000	Interest rate risk			
		-0.5%	+0.5%	-0.5%	+0.5%
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
30 June 2015					
Financial assets					
Cash and cash equivalents	1,141	(4)	(4)	4	4
Financial liabilities					
Short term borrowings	(24,250)	85	85	(85)	(85)
Total increase/(decrease)		81	81	(81)	(81)

2 Financial risk management (continued)

(a) Market risk (continued)

(ii) Electricity price risk exposures

The Corporation has established a multi-faceted risk management framework incorporating an overarching Energy Price Risk Management Policy and an Energy Risk Management Committee to manage its energy exposure in wholesale National Electricity Market.

Energy Portfolio Management activities to mitigate the associated financial risk include demand management, electricity self-generation and financial market hedging.

The Corporation monitors its energy consumption profile and uses permitted electricity derivatives to manage its exposure to electricity spot prices on energy purchases.

The following sensitivity analysis is based on electricity price risk exposures in existence at the balance sheet date, assuming all other variables are held constant. The movements in post-tax profit and equity for the year are due to higher/lower electricity costs associated with electricity purchased at a floating market price.

At 30 June 2016 it has been assumed that a reasonable possible change in the relevant forward prices for wholesale electricity prices over the next reporting period could be 10% upwards and 10% downwards. Sensitivity of 10% is based on industry standards and historical volatilities in the electricity pool prices.

	Carrying amount \$'000	Electricity price risk			
		-10%	+10%	-10%	+10%
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
30 June 2016					
Financial assets					
Derivative financial instruments (electricity)	980	20	20	(20)	(20)
Total increase/(decrease)		20	20	(20)	(20)

(b) Credit risk

Credit risk is the risk of financial loss to the Corporation resulting from the failure of a customer or a counterparty to a financial instrument to meet its financial obligations as and when they fall due.

Credit management policies and procedures are in place to ensure an appropriate level of due diligence in relation to credit history and financial integrity for financial transactions undertaken by SA Water. In addition, receivable balances are monitored on an ongoing basis and actions to recover outstanding debt are instigated in accordance with the Corporation's collection policies and practices with the result that exposure to bad debts is not significant.

Under the Water Industry Act 2012, water rates and charges are secured via a first charge on the property.

The Corporation has no significant concentration of credit risk.

All borrowing of debt management activities are directly undertaken by SAFA on behalf of the Corporation. The Corporation does not hold any credit derivatives to offset its credit exposure.

Electricity derivatives are entered into on organised exchanges and with highly rated financial institution counterparties.

2 Financial risk management (continued)

(c) Liquidity risk

The Corporation has in place a Treasury Risk Management Policy to provide a prudential framework for managing liquidity risk. SA Water is required to hold in cash or committed facilities appropriate capacity to meet immediate funding requirements and provide any unforeseen cash flow needs. Liquidity levels are reviewed on a daily basis.

Contractual maturities

The table below analyses the Corporation's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The contractual cash flows remaining to maturity for borrowings include principal, interest, guarantee fees and SAFA margins. Maturing borrowings are included in the table at their maturity date and are rolled over into a new market borrowing rate.

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
At 30 June 2016					
Non-derivatives					
Fixed rate borrowings	427,563	1,132,551	3,716,275	2,613,856	7,890,245
Finance lease liabilities	22,572	22,572	67,716	46,549	159,409
Non-interest bearing liabilities*	114,458	-	-	-	114,458
Floating rate borrowings	16,802	-	-	-	16,802
Total non-derivatives	581,395	1,155,123	3,783,991	2,660,405	8,180,914

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
At 30 June 2015					
Non-derivatives					
Fixed rate borrowings	1,316,022	296,639	3,995,281	2,168,143	7,776,085
Finance lease liabilities	22,443	22,443	67,328	68,501	180,715
Non-interest bearing liabilities*	88,184	-	-	-	88,184
Floating rate borrowings	24,254	-	-	-	24,254
Total non-derivatives	1,450,903	319,082	4,062,609	2,236,644	8,069,238

* Non-interest bearing liabilities disclosed are financial liabilities at cost and exclude amounts relating to statutory payables such as tax equivalents and commonwealth tax.

2 Financial risk management (continued)

(d) Fair value measurements

The fair value of financial assets and financial liabilities is the price that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(i) Fair value of financial liabilities

The fair value for long term borrowings is estimated by discounting the anticipated future cash flows to their present value based on current market interest rates at the respective balance sheet dates.

A reliable estimate of the fair value for finance leases cannot be determined due to the unique nature of the leasing arrangements. Refer note 1(g).

The carrying amounts and fair values of long term borrowings at balance date are:

	2016		2015	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Long term borrowings	6,263,000	6,664,742	6,250,000	6,470,041

The fair values of all other financial liabilities approximate the carrying values.

(ii) Fair value of financial assets

The Corporation has invested in unlisted class B shares as part of the Build Own Operate and Transfer (BOOT) arrangements for the Virginia Pipeline Scheme. These shares have been measured at fair value, which includes some assumptions that are not supportable by observable market prices or rates. The fair value has been estimated using the written down current cost of the pipeline assets at the transfer date of 2018, discounted to their present value. In determining fair value a discount factor of 5.06% (30 June 2015: 5.06%) has been used which has been determined from SA Water's pre tax real weighted average cost of capital. If the discount rate was 1% higher, while all other variables were constant, the carrying amount of the shares would decrease by \$0.7m (30 June 2015: \$0.9m). If the discount rate was 1% lower, while all other variables were held constant, the carrying amount of the shares would increase by \$0.7m (30 June 2015: \$0.9m).

The carrying amounts and fair values of available for sale financial instruments at balance date are:

	2016		2015	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Unlisted shares	30,561	30,561	27,835	27,835

The fair values of all other financial assets approximate the carrying values.

3 Fair value measurements

The Corporation measures and recognises the following financial and non-financial assets at fair value on a recurring basis:

- Financial assets (note 11);
- Available-for-sale financial assets (note 13);
- Land and buildings (note 16);
- Leased water and sewer infrastructure (note 16);
- Water infrastructure (note 16);
- Sewer infrastructure (note 16);
- Plant and equipment (note 16); and
- Other property, plant and equipment (note 16).

(a) Fair value measurements

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Corporation's financial and non-financial assets measured and recognised at fair value at 30 June 2016.

(i) Recognised fair value measurements

30 June 2016	2016 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements				
Financial assets				
Electricity derivatives	980	980	-	-
Unlisted shares	30,561	-	-	30,561
Total financial assets	31,541	980	-	30,561
Non-financial assets				
Buildings	20,883	-	-	20,883
Land	359,094	-	359,094	-
Water infrastructure	8,704,568	-	-	8,704,568
Sewer infrastructure	3,985,921	-	-	3,985,921
Plant and equipment and other	110,566	-	-	110,566
Total non-financial assets	13,181,032	-	359,094	12,821,938
Total recurring financial and non-financial assets	13,212,573	980	359,094	12,852,499

3 Fair value measurements (continued)

(a) Fair value measurements (continued)

(i) Recognised fair value measurements (continued)

30 June 2015	2015 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements			
Financial assets			
Unlisted shares	27,835	-	27,835
Total financial assets	27,835	-	27,835
Non-financial assets			
Buildings	29,173	-	29,173
Land	364,288	364,288	-
Water infrastructure	8,669,816	-	8,669,816
Sewer infrastructure	3,863,537	-	3,863,537
Plant and equipment and other	122,282	-	122,282
Total non-financial assets	13,049,096	364,288	12,684,808
Total recurring financial and non-financial assets	13,076,931	364,288	12,712,643

There were no transfers between levels for recurring fair value measurements during the period.

The Corporation's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(ii) Disclosed fair values

The Corporation has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes.

The carrying amounts of cash and cash equivalents, trade receivables, payables and other current liabilities are assumed to approximate their fair values due to their short-term nature. SA Water does not hold any non-current receivables.

The fair value of financial instruments that make up the long term borrowings disclosed in note 2d(i) have been deemed to be Level 2 in the Fair Value Hierarchy. The valuation is based on SAFA bond rates (market observable) which reflects the cost of funds. The carrying amount of short term borrowings approximates its fair value, as the impact of discounting is not significant.

(b) Valuation techniques used to derive level 3 fair values

(i) Recurring fair value measurements

The valuation techniques used to derive level 3 fair values are described in note 1(e).

Although unobservable inputs were used in determining fair value, and are subjective, the Corporation considers that the overall valuation would not be materially affected by changes to the existing assumptions. There were no changes in valuation techniques during the reporting period.

(ii) Non-recurring fair value measurements

SA Water has no non-recurring fair value measurements.

3 Fair value measurements (continued)

(c) Fair value measurements using significant unobservable inputs (level 3)

The following tables are reconciliations of fair value measurements for recurring fair value measurements using significant unobservable inputs (level 3):

	Buildings \$'000	Water Infrastructure \$'000	Sewer Infrastructure \$'000	Plant and Equipment and Other \$'000	Available for Sale Financial Assets \$'000	Total \$'000
Opening balance at 1 July 2015	29,173	8,669,816	3,863,537	122,282	27,835	12,712,643
Acquisitions	2,150	160,757	172,471	6,765	-	342,143
Disposals	-	-	-	(222)	-	(222)
Total gain (losses) for the period in the net result:						
Asset write-off	-	(2,957)	(4,547)	-	-	(7,504)
Depreciation	(1,860)	(196,615)	(81,758)	(19,228)	-	(299,461)
	(1,860)	(199,572)	(86,305)	(19,228)	-	(306,965)
Total gain (losses) for the period in other comprehensive income:						
Revaluation increment/ (decrement)	(8,580)	73,567	36,218	969	2,726	104,900
	(8,580)	73,567	36,218	969	2,726	104,900
Closing balance 30 June 2016	20,883	8,704,568	3,985,921	110,566	30,561	12,852,499

3 Fair value measurements (continued)

(c) Fair value measurements using significant unobservable inputs (level 3) (continued)

	Buildings \$'000	Water Infrastructure \$'000	Sewer Infrastructure \$'000	Plant and Equipment and Other \$'000	Available for Sale Financial Assets \$'000	Total \$'000
Opening balance at 1 July 2014	29,835	8,757,720	3,924,188	127,035	26,444	12,865,222
Acquisitions	770	161,770	109,447	12,231	-	284,218
Total gain (losses) for the period in the net result:						
Asset write-off	-	(2,366)	(9,221)	-	-	(11,587)
Reversal of previous decrement	224	-	-	-	-	224
Depreciation	(2,373)	(188,071)	(79,672)	(20,380)	-	(290,496)
	(2,149)	(190,437)	(88,893)	(20,380)	-	(301,859)
Total gain (losses) for the period in other comprehensive income:						
Revaluation increment/ (decrement)	717	(59,237)	(81,205)	3,396	1,391	(134,938)
	717	(59,237)	(81,205)	3,396	1,391	(134,938)
Closing balance 30 June 2015	29,173	8,669,816	3,863,537	122,282	27,835	12,712,643

(i) Valuation inputs and relationships to fair value

Refer note 1(e) for information relating to unobservable inputs and valuation processes.

4 Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, the areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are listed below:

- Unbilled revenue (refer note 1(c));
- Contributed assets (refer note 1(c));
- Impairment of assets (refer note 1(f));
- Valuation and useful lives of assets (refer note 1(e));
- Provision for long service leave (refer note 1(l)); and
- Provision for workers compensation (refer note 1(m)).

5 Revenue from ordinary activities

	2016 \$'000	2015 \$'000
Community service obligations	130,423	128,001
Water and sewer rates and charges	1,228,872	1,157,124
Recoverable works	50,732	51,974
Fees and charges	43,840	36,223
Miscellaneous	49	124
Amortisation of government grant revenue	9,610	9,383
Contributed assets	39,910	38,968
Rents	1,380	1,299
Interest	291	606
	<u>1,505,107</u>	<u>1,423,702</u>

6 Other income

	2016 \$'000	2015 \$'000
Net gain on disposal of infrastructure, plant and equipment	444	662
Net gain on disposal of temporary water allocations	4,352	3,362
Reversal of prior year infrastructure, plant and equipment revaluation decrement	5	224
Net gain on disposal of renewable energy certificates	354	-
	<u>5,155</u>	<u>4,248</u>

7 Expenses

	2016 '000	2015 '000
Profit before income tax includes the following specific expenses:		
Depreciation (note 16)		
Buildings	1,860	2,373
Plant and equipment	2,412	2,737
Other	16,816	17,643
Infrastructure assets - sewer	81,758	79,672
Infrastructure assets - water	196,615	188,071
Amortisation (note 15)		
Computer software	17,234	19,284
ADP intangible	1,700	1,701
Total depreciation and amortisation	<u>318,395</u>	<u>311,481</u>
Borrowing costs		
Interest paid/payable on short term and long term borrowings	326,654	303,240
Finance charges on capitalised leases	9,624	10,467
Total borrowing costs	<u>336,278</u>	<u>313,707</u>
Net loss from electricity derivatives at fair value through profit and loss	146	-
Finance lease contingent rentals	4,950	4,826
Operating lease minimum lease payments	11,411	11,065
Net bad and doubtful debts (recovery)/expense including movements in allowance for doubtful debts	5,554	(25)
Infrastructure, plant and equipment revaluation decrement	14,356	46
Write-off in value of infrastructure, plant, equipment, and capital WIP	12,492	13,991

7 Expenses (continued)

Write-off in value of purchased seasonal water allocations	16,449	-
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Consultancy costs

Less than \$10,000 (Number 2016: 3; 2015: 6)	12	20
Between \$10,000 and \$50,000 (Number 2016: 5; 2015: 5)	139	95
Greater than \$50,000 (Number 2016: 4; 2015: 3)	361	512
	<u>512</u>	<u>627</u>

Superannuation contribution	16,828	16,039
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8 Income tax expense

(a) Income tax expense

	2016 \$'000	2015 \$'000
Current tax	113,977	96,914
Deferred tax	(25,680)	(15,465)
Amounts under provided in prior years	6	3
	<u>88,303</u>	<u>81,452</u>
Deferred income tax (revenue) included in income tax expense comprises:		
(Increase) in deferred tax assets (note 14)	(7,653)	(537)
(Decrease) in deferred tax liabilities (note 24)	(18,027)	(14,928)
	<u>(25,680)</u>	<u>(15,465)</u>

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2016 \$'000	2015 \$'000
Profit from continuing operations before income tax expense	301,408	278,761
Tax at the Australian tax rate of 30.0% (2015: 30.0%)	90,422	83,629
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Loss/(Gain) on sale of land	8	(63)
ADP intangible asset amortisation	510	510
Revaluation decrement	-	14
Government grants	(2,626)	(2,619)
Provision for employee benefits	(17)	(22)
	<u>88,297</u>	<u>81,449</u>
Amounts under provided in prior years	6	3
Income tax expense	<u>88,303</u>	<u>81,452</u>

8 Income tax expense (continued)

(c) Tax expense (income) relating to items of other comprehensive income

	2016 \$'000	2015 \$'000
(Loss)/gain on revaluation of infrastructure, plant and equipment	31,838	(40,791)
Revaluation of investment in unlisted shares	818	417
	<u>32,656</u>	<u>(40,374)</u>

9 Current assets - Receivables

	2016 \$'000	2015 \$'000
Receivables		
Rates receivable (water and sewer)	176,681	160,187
Sundry debtors	28,933	27,020
Allowance for doubtful debts	(6,064)	(615)
	<u>199,550</u>	<u>186,592</u>
Other receivables		
Community Service Obligations	13,064	12,921
	<u>212,614</u>	<u>199,513</u>

(a) Impaired trade receivables

An allowance for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

The ageing of these receivables is as follows:

	2016 \$'000	2015 \$'000
More than 90 days overdue	6,064	615

Movements in the provision for impairment of receivables are as follows:

Opening balance at 1 July	615	655
Provision for impairment recognised during the year	6,017	-
Amounts written off	(105)	(15)
Unused amounts reversed	(463)	(25)
Closing balance at 30 June	<u>6,064</u>	<u>615</u>

9 Current assets - Receivables (continued)

(b) Past due but not impaired

At 30 June, the aging of rates receivable that are past due but not impaired is as follows:

	2016 \$'000	2015 \$'000
Past due 0-69 days	35,626	20,049
More than 69 days	13,918	17,898
	<u>49,544</u>	<u>37,947</u>

The other balances within rates receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due rates receivables with renegotiated terms at balance date is \$13.246m (2015: \$12.686m).

At 30 June, the aging of sundry debtors that are past due but not impaired is as follows:

	2016 \$'000	2015 \$'000
Past due 0-30 days	2,170	2,748
Past due more than 30 days	1,237	1,257
	<u>3,407</u>	<u>4,005</u>

The remaining balances within sundry debtor receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due sundry debtor receivables with renegotiated terms at balance date is \$1.068m (2015: \$0.914m).

Balances for other receivables relate to Community Service Obligations and do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Corporation and the credit quality of the Corporation's receivables.

10 Current assets - Inventories

	2016 \$'000	2015 \$'000
Raw materials and stores	7,837	7,437
Allowance for obsolete stock	(1,377)	(1,377)
Work in progress	486	740
	<u>6,946</u>	<u>6,800</u>

11 Current assets - Financial assets

	2016 \$'000	2015 \$'000
Electricity derivatives		
Settlement residue auction units	810	-
Electricity futures contracts	170	-
Total current derivative financial instrument assets	<u>980</u>	<u>-</u>

12 Current assets - Other current assets

	2016 \$'000	2015 \$'000
Interest receivable	84	174
Prepayments	6,779	4,143
Renewable Energy Certificates *	5,318	3,109
	<u>12,181</u>	<u>7,426</u>

*SA Water purchases Renewable Energy Certificates (RECs) in order to meet Green House Gas (GHG) emission targets. SA Water does not purchase RECs with the intention of trading for gain. Unused RECs accumulated as at 30 June are recorded at their cost. These RECs are expected to be utilised in satisfying the Corporation's 2015/16 GHG emission targets and will be expensed at time of surrender.

13 Non-current assets - Available-for-sale financial assets

	2016 \$'000	2015 \$'000
Unlisted shares at fair value	30,561	27,835

14 Non-current assets - Deferred tax assets

	2016 \$'000	2015 \$'000
The balance comprises temporary differences attributable to:		
Doubtful debts	1,818	184
Obsolete stock	413	413
Infrastructure, plant and equipment	11,077	5,788
Pooled assets	99	36
Payables	1,436	1,287
Audit fee payable	133	143
Government grants	11,576	11,739
Employee benefits	13,117	12,809
Deferred lease incentives	293	333
Unearned customer contributions	3,338	2,948
Unearned income	124	60
Provision for asset disposal	19	19
Provision for workers compensation	189	220
	43,632	35,979
<i>Amounts recognised directly in equity</i>		
Unearned customer contributions	2,335	2,335
Total deferred tax assets	45,967	38,314

	2016 \$'000	2015 \$'000
Movements:		
Opening balance at 1 July	38,314	37,777
Credited to the Statement of Comprehensive Income (note 8)	7,653	537
Closing balance at 30 June	45,967	38,314
Deferred tax assets expected to be recovered within 12 months	13,655	11,101
Deferred tax assets expected to be recovered after more than 12 months	32,312	27,213
	45,967	38,314

15 Non-current assets - Intangible assets

	Easements \$'000	Prescription rights \$'000	Computer software \$'000	ADP intangible \$'000	Purchased water rights \$'000	Seasonal Water Allocations \$'000	Total \$'000
Year ended 30 June 2016							
Opening net book amount	6,213	4,500	37,979	64,674	23,178	54,408	190,952
Additions	-	-	10,557	-	7,598	-	18,155
Amortisation charge	-	-	(17,234)	(1,700)	-	-	(18,934)
Write off	-	-	-	-	-	(16,449)	(16,449)
Closing net book amount	6,213	4,500	31,302	62,974	30,776	37,959	173,724
At 30 June 2016							
Cost	6,213	4,500	155,330	70,982	30,776	37,959	305,760
Accumulated amortisation	-	-	(124,028)	(8,008)	-	-	(132,036)
Net book amount	6,213	4,500	31,302	62,974	30,776	37,959	173,724

15 Non-current assets - Intangible assets (continued)

	Easements \$'000	Prescription rights \$'000	Computer software \$'000	ADP intangible \$'000	Purchased water rights \$'000	Seasonal Water Allocations \$'000	Total \$'000
Year ended 30 June 2015							
Opening net book amount	6,213	4,500	44,786	66,375	23,178	54,408	199,460
Additions	-	-	12,477	-	-	-	12,477
Amortisation charge	-	-	(19,284)	(1,701)	-	-	(20,985)
Closing net book amount	6,213	4,500	37,979	64,674	23,178	54,408	190,952
At 30 June 2015							
Cost	6,213	4,500	144,773	70,982	23,178	54,408	304,054
Accumulated amortisation	-	-	(106,794)	(6,308)	-	-	(113,102)
Net book amount	6,213	4,500	37,979	64,674	23,178	54,408	190,952

16 Non-current assets - Infrastructure, plant and equipment

Consolidated entity	Work in progress \$'000	Land \$'000	Buildings \$'000	Leased sewer infrastructure \$'000	Plant and equipment \$'000	Water infrastructure \$'000	Sewer infrastructure \$'000	Leased water infrastructure \$'000	Other property, plant and equipment \$'000	Total \$'000
Year ended 30 June 2016										
Opening net book amount	436,638	364,288	29,173	23,584	17,393	8,580,281	3,839,953	89,535	104,889	13,485,734
Revaluation increment/(decrement)	-	(4,946)	(8,580)	219	-	72,738	35,999	829	969	97,228
Additions	319,505	-	2,150	-	5,310	159,164	172,471	1,593	1,455	661,648
Transfers	(328,166)	-	-	-	-	-	-	-	-	(328,166)
Depreciation charge	-	-	(1,860)	(782)	(2,412)	(192,136)	(80,976)	(4,479)	(16,816)	(299,461)
Asset write down	(4,988)	-	-	-	-	(2,957)	(4,547)	-	-	(12,492)
Disposals	-	(248)	-	-	(222)	-	-	-	-	(470)
Closing net book amount	422,989	359,094	20,883	23,021	20,069	8,617,090	3,962,900	87,478	90,497	13,604,021
At 30 June 2016										
Cost	422,989	-	-	-	47,969	-	-	-	-	470,958
Valuation	-	359,094	81,926	30,684	-	14,443,319	6,564,765	211,359	255,553	21,946,700
Accumulated depreciation	-	-	(61,043)	(7,663)	(27,900)	(5,826,229)	(2,601,865)	(123,881)	(165,056)	(8,813,637)
Net book amount	422,989	359,094	20,883	23,021	20,069	8,617,090	3,962,900	87,478	90,497	13,604,021

16 Non-current assets - Infrastructure, plant and equipment (continued)

Consolidated entity	Work in progress \$'000	Land \$'000	Buildings \$'000	Leased sewer infrastructure \$'000	Plant and equipment \$'000	Water infrastructure \$'000	Sewer infrastructure \$'000	Leased water infrastructure \$'000	Other property, plant and equipment \$'000	Total \$'000
Year ended 30 June 2015										
Opening net book amount	467,260	357,163	29,835	23,615	19,431	8,666,421	3,900,573	91,299	107,604	13,663,201
Revaluation	-	-	-	-	-	-	-	-	-	-
Increment/(decrement)	-	1,764	941	744	-	(62,118)	(81,949)	2,881	3,396	(134,341)
Additions	243,126	6,167	770	-	699	161,770	109,447	-	11,532	533,511
Transfers	(271,344)	-	-	-	-	-	-	-	-	(271,344)
Depreciation charge	-	-	(2,373)	(775)	(2,737)	(183,426)	(78,897)	(4,645)	(17,643)	(290,496)
Asset write down	(2,404)	-	-	-	-	(2,366)	(9,221)	-	-	(13,991)
Disposals	-	(806)	-	-	-	-	-	-	-	(806)
Closing net book amount	436,638	364,288	29,173	23,584	17,393	8,580,281	3,839,953	89,535	104,889	13,485,734
At 30 June 2015										
Cost	436,638	-	-	-	43,790	-	-	-	-	480,428
Cost or fair value	-	364,288	81,152	30,402	-	14,216,802	6,402,303	207,840	251,787	21,554,574
Accumulated depreciation	-	-	(51,979)	(6,818)	(26,397)	(5,636,521)	(2,562,350)	(118,305)	(146,898)	(8,549,268)
Net book amount	436,638	364,288	29,173	23,584	17,393	8,580,281	3,839,953	89,535	104,889	13,485,734

16 Non-current assets - Infrastructure, plant and equipment (continued)

(a) Carrying amounts that would have been recognised

If revalued assets were stated on the historical cost basis, the amounts would be as follows:

	2016 \$'000	2015 \$'000
Freehold land		
Cost	50,199	50,198
Net book amount	<u>50,199</u>	<u>50,198</u>
Buildings		
Cost	48,451	46,302
Accumulated depreciation	(25,244)	(23,116)
Net book amount	<u>23,207</u>	<u>23,186</u>
Leased sewer infrastructure		
Cost	18,792	18,792
Accumulation depreciation	(5,168)	(4,698)
Net book Amount	<u>13,624</u>	<u>14,094</u>
Water infrastructure		
Cost	4,518,885	4,376,648
Accumulated depreciation	(1,051,300)	(966,658)
Net book amount	<u>3,467,585</u>	<u>3,409,990</u>
Sewer infrastructure		
Cost	2,168,986	2,013,514
Accumulated depreciation	(872,914)	(807,976)
Net book amount	<u>1,296,072</u>	<u>1,205,538</u>
Leased water infrastructure		
Cost	124,183	124,183
Accumulation depreciation	(71,109)	(68,554)
Net book amount	<u>53,074</u>	<u>55,629</u>
Other		
Cost	203,856	202,401
Accumulated depreciation	(127,490)	(112,693)
Net book amount	<u>76,366</u>	<u>89,708</u>

17 Current liabilities - Payables

	2016 \$'000	2015 \$'000
Interest payable	58,500	58,949
Trade creditors	115,298	86,697
Other creditors	15,821	11,327
	<u>189,619</u>	<u>156,973</u>

18 Current liabilities - Financial liabilities/borrowings

	2016 \$'000	2015 \$'000
Lease liabilities note (note 31)	8,904	7,960
Short term borrowings	16,874	24,250
	<u>25,778</u>	<u>32,210</u>

The Corporation has a \$150m short term borrowing facility with SAFA, bearing interest at SAFA's daily cash rate.

(a) Risk exposures

Information regarding interest rate risk and liquidity risk exposure is set out in note 2.

(b) Fair value disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 2.

Due to the short term nature of these interest bearing liabilities, their carrying value is assumed to approximate their fair value. Refer to note 2.

19 Current liabilities - Tax liabilities

	2016 \$'000	2015 \$'000
Provision for current income tax movements during the year were as follows:		
Opening balance at 1 July	3,073	15,476
Income tax paid	(107,273)	(109,320)
Current year's income tax provision	113,977	96,914
Amounts under provided in prior years	6	3
	<u>9,783</u>	<u>3,073</u>

20 Current liabilities - Provisions

	2016 \$'000	2015 \$'000
Employee benefits	15,723	14,474
Asset disposal	20	20
Damages and claims	128	22
Workers compensation	972	1,961
	<u>16,843</u>	<u>16,477</u>

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2016 Current	Asset disposal \$'000	Damages and claims \$'000	Workers compensation \$'000	Total \$'000
Opening balance at 1 July	20	22	1,961	2,003
Provisions recognised	-	482	1,688	2,170
Payments made during year	(3)	(376)	(1,088)	(1,467)
Re-measurement adjustments	-	-	(1,589)	(1,589)
Transfer from non-current	3	-	-	3
Closing balance at 30 June	<u>20</u>	<u>128</u>	<u>972</u>	<u>1,120</u>

21 Current liabilities - Other current liabilities

	2016 \$'000	2015 \$'000
Government grants	9,690	10,062
Lease incentives	134	134
Unearned income	19,300	18,795
Deposits from contractors	1,080	1,247
	<u>30,204</u>	<u>30,238</u>

22 Non-current liabilities - Payables

	2016 \$'000	2015 \$'000
Other payables	2,512	2,510

23 Non-current liabilities - Financial liabilities/borrowings

	2016 \$'000	2015 \$'000
Lease liabilities (note 31)	70,126	79,030
Long term borrowings	6,263,000	6,250,000
	<u>6,333,126</u>	<u>6,329,030</u>

24 Non-current liabilities - Deferred tax liabilities

	2016 \$'000	2015 \$'000
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The balance comprises temporary differences attributable to:

Prepayments	824	329
Derivative financial instruments	27	-
Unlisted shares at fair value	(2,406)	(2,406)
Seasonal Water Allocations	11,388	16,322
Depreciation and amortisation	7,794	21,409
	<u>17,627</u>	<u>35,654</u>

Amounts recognised directly in equity

Revaluation of infrastructure, plant and equipment	1,636,970	1,605,132
Unlisted shares at fair value	7,119	6,301
	<u>1,644,089</u>	<u>1,611,433</u>

Total deferred tax liabilities	<u>1,661,716</u>	<u>1,647,087</u>
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Movements:

Opening balance at 1 July	1,647,087	1,702,389
Credited to the Statement of Comprehensive Income (note 8)	(18,027)	(14,928)
Charged to equity (note 30)	31,838	(40,791)
Unlisted shares at fair value	818	417
Closing balance at 30 June	<u>1,661,716</u>	<u>1,647,087</u>

Deferred tax liabilities to be settled within 12 months	852	329
Deferred tax liabilities expected to be settled after more than 12 months	1,660,864	1,646,758
	<u>1,661,716</u>	<u>1,647,087</u>

25 Non-current liabilities - Provisions

	2016 \$'000	2015 \$'000
Employee benefits	28,001	28,221
Workers compensation	2,914	2,556
Asset disposal	42	45
	<u>30,957</u>	<u>30,822</u>

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2016 Non-current	Workers compensation \$'000	Asset disposal \$'000	Total \$'000
Opening balance at 1 July	2,556	45	2,601
Transfer to current provision	-	(3)	(3)
Re-measurement adjustments	358	-	358
Closing balance at 30 June	<u>2,914</u>	<u>42</u>	<u>2,956</u>

26 Non-current liabilities - Other non-current liabilities

	2016 \$'000	2015 \$'000
Government grants	379,407	388,704
Lease incentives	843	976
	<u>380,250</u>	<u>389,680</u>

27 Reconciliation of cash

	2016 \$'000	2015 \$'000
Cash and cash equivalents	3,248	1,141

(a) Fair Value

Due to the short term nature of cash and cash equivalents, their carrying value is assumed to approximate their fair value.

28 Reconciliation of profit after income tax to net cash inflow from operating activities

	2016 \$'000	2015 \$'000
Net profit for the year	213,105	197,309
Add/(less) non-cash items:		
Depreciation and amortisation	318,395	311,481
Amortisation of government grant revenue	(9,610)	(9,383)
Contributed assets	(32,130)	(31,518)
Net (gain) on disposal of infrastructure, plant and equipment	(502)	(687)
Net (gain) on disposal of temporary water allocations	(4,426)	(3,405)
Infrastructure, plant and equipment revaluation decrement reversal	(5)	(224)
Infrastructure, plant and equipment revaluation decrement	14,356	46
Write-off in value of infrastructure, plant and equipment and capital WIP	12,492	13,991
Write-off in value of purchased seasonal water allocations	16,449	-
Net (gain) on disposal of renewable energy certificates	(354)	-
Change in assets and liabilities:		
(Increase) in receivables	(13,101)	(10,902)
(Increase) in inventories	(146)	(1,214)
(Increase) in prepayments	(2,636)	(1,159)
(Increase) in other operating assets	(2,519)	(36)
(Increase) in derivative financial assets	(980)	-
(Increase) in deferred tax assets	(7,653)	(537)
Increase in trade creditors	495	3,806
Increase in provision for employee benefits	1,029	2,629
(Decrease) in provision for workers compensation	(631)	(220)
Increase in other operating liabilities	13,642	11,527
Increase in government grants	99	836
(Decrease) in provision for deferred income tax	(18,027)	(14,928)
Increase/(decrease) in other provisions	103	(672)
Increase/(decrease) in provision for income taxes payable	6,710	(12,403)
Net cash inflow from operating activities	504,155	454,337

29 Capital risk management

Capital is managed within the parameters outlined in the Financial Ownership Framework for SA Water, which encompasses the Corporation's relationship with its owner in respect of capital structure, community service obligations and dividends.

When managing capital, management's objective is to ensure the Corporation continues as a going concern as well as maintaining optimal returns to the State Government (as sole shareholder).

The gearing ratios based on continuing operations at 30 June 2015 and 30 June 2016 were as follows:

	2016 \$'000	2015 \$'000
Interest bearing borrowings (note 18, 23)	6,358,904	6,361,240
Less: Cash and cash equivalents (note 27)	(3,248)	(1,141)
Net debt	6,355,656	6,360,099
Total Assets	14,090,242	13,957,715
Gearing ratio	45%	46%

Outside of the Financial Ownership Framework, the Corporation is not subject to any externally imposed capital requirements.

SA Water and the SA Government continue to review the parameters of the Financial Ownership Framework to ensure the appropriateness of the targets. A target gearing ratio of 35% to 45% is currently set by the SA Government under the Financial Ownership Framework.

30 Asset revaluation surplus and retained profits

(a) Asset revaluation surplus

	2016 \$'000	2015 \$'000
Revaluation surplus - property, plant and equipment	4,906,924	4,829,397
Available-for-sale financial assets	16,611	14,703
	<u>4,923,535</u>	<u>4,844,100</u>

Movements:

Infrastructure, plant and equipment revaluation surplus

Opening balance at 1 July	4,829,397	7,624,339
Revaluation of infrastructure, plant and equipment*	111,582	(134,519)
Movements in deferred tax liability (note 24)	(31,838)	40,791
Transfer to retained profits on disposal	(2,217)	(1,214)
Dividend - debt transfer from the SA Government (note 34)	-	(2,700,000)
Closing balance at 30 June	<u>4,906,924</u>	<u>4,829,397</u>

Available-for-sale investments revaluation surplus

Opening balance at 1 July	14,703	13,729
Revaluation of investment in unlisted shares	2,726	1,391
Movements in deferred tax liabilities (note 24)	(818)	(417)
Closing balance at 30 June	<u>16,611</u>	<u>14,703</u>

*The 2014/2015 revaluation decrease relates to a decrease (around 1%) in infrastructure asset valuations, principally pipe assets and wastewater treatment plants.

*The 2015/2016 revaluation increase relates to an increase (around 0.8%) in infrastructure asset revaluations, principally pipe assets, wastewater treatment plants, desalination plant and water filtration plants.

30 Asset revaluation surplus and retained profits (continued)

(b) Retained profits

Movements in retained profits were as follows:

Opening balance at 1 July	301,905	287,361
Net profit for the period	213,105	197,309
Dividends (note 34)	(204,918)	(183,979)
Transfers from infrastructure, plant and equipment revaluation surplus	2,217	1,214
Closing balance at 30 June	<u>312,309</u>	<u>301,905</u>

(c) Nature and purpose of other asset revaluation surplus

(i) Infrastructure plant and equipment revaluation surplus

The infrastructure, plant and equipment revaluation surplus is the cumulative balance of asset revaluation increments and decrements.

(ii) Available-for-sale revaluation surplus

Changes in the fair value of unlisted shares are taken to the available-for-sale revaluation surplus.

31 Commitments and contingencies

(a) Capital commitments

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

	2016 \$'000	2015 \$'000
Within one year	19,702	47,625
Later than one year but not later than five years	5,293	22,335
	<u>24,995</u>	<u>69,960</u>

The capital commitments relate to the Corporation's capital program in delivering water and sewer infrastructure, property, plant & equipment assets.

(b) Operating lease commitments

	2016 \$'000	2015 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are committed as follows:		
Within one year	12,215	11,973
Later than one year but not later than five years	48,227	48,060
Later than five years	31,395	44,328
	<u>91,837</u>	<u>104,361</u>

The operating lease commitments relate to property leases which are non cancellable leases. The rental is payable monthly and reviewed annually. The annual increases are based on either CPI, 1.7%, 2.5%, 3%, 3.5% or 4%. Options exist to renew the leases at the end of the term of the leases.

31 Commitments and contingencies (continued)

(b) Operating lease commitments (continued)

The Corporation has an operating lease commitment for accommodation effective from 2008/09 which expires after 15 years with a market rent review renegotiation in year 10. The lease has escalation clauses and no purchase options.

(c) Other expenditure commitments

	2016 \$'000	2015 \$'000
Future other expenditure commitments not provided for in the financial statements are committed as follows:		
Within one year	161,829	160,359
Later than one year but not later than five years	655,466	599,227
Later than five years	552,403	826,365
	<u>1,369,698</u>	<u>1,585,951</u>

Other expenditure commitments include commitments pursuant to contracts to:

Operate, manage and maintain the Adelaide metropolitan water and sewer networks and treatment plants. Refer to Note 1(t).

Operate, maintain and provide energy for the Adelaide Desalination Project. Refer to note 1(u).

Other expenditure commitments reported are based on minimum contracted amounts payable at balance date and include an estimate for escalation of charges.

(d) Finance leases

	2016 \$'000	2015 \$'000
Commitments in relation to finance leases are payable as follows:		
Within one year	17,584	17,584
Later than one year but not later than five years	70,335	70,335
Later than five years	28,471	46,055
Minimum lease payments	<u>116,390</u>	<u>133,974</u>
Future finance charges	(37,360)	(46,984)
Recognised as a liability	<u>79,030</u>	<u>86,990</u>
Representing lease liabilities:		
Current (note 18)	8,904	7,960
Non-current (note 23)	70,126	79,030
	<u>79,030</u>	<u>86,990</u>

The present value of finance lease liabilities is as follows:

Within one year	8,904	7,960
Later than one year but not later than five years	47,531	42,479
Later than five years	22,595	36,551
Minimum lease payments	<u>79,030</u>	<u>86,990</u>

31 Commitments and contingencies (continued)

(d) Finance leases (continued)

Future finance lease payments are amounts contracted with private sector providers to construct, own and operate water and sewer treatment facilities.

(e) Contingent rentals

The above finance leases comprise a base amount plus an incremental contingent rental. Contingent rentals are based on the consumer price and related indexes. Commitments in relation to contingent rentals are payable as follows:

	2016 \$'000	2015 \$'000
Within one year	4,988	4,859
Later than one year but not later than five years	19,953	19,436
Later than five years	18,077	22,446
	<u>43,018</u>	<u>46,741</u>

The amount of contingent rentals paid during the year is disclosed in note 7.

(f) Other contingencies

At balance date there were no other known contingent assets or liabilities.

32 Joint Operation

Jointly controlled operations

The Corporation holds an interest of 50% in the output of the Jointly controlled operation named SA Water/Lofty Ranges Power - Jointly controlled operation whose principal activity is the generation of electricity from the use of water energy stored in and by the Corporation's infrastructure at Hope Valley.

Included in the assets and liabilities of the Corporation are the following items which represent the Corporation's interest in the assets and liabilities employed in the Jointly controlled operation, recorded in accordance with the accounting policies described in note 1(b), under the following classifications:

	2016 \$'000	2015 \$'000
Current assets		
Cash and cash equivalents	16	47
Receivables	13	3
Total current assets	<u>29</u>	<u>50</u>
Non-current assets		
Infrastructure, plant and equipment	1,562	1,604
Total assets	<u>1,591</u>	<u>1,654</u>
Current liabilities		
Payables	45	27
Total liabilities	<u>45</u>	<u>27</u>
Net assets	<u>1,546</u>	<u>1,627</u>

33 Remuneration of auditors

	2016 \$'000	2015 \$'000
Audit fees paid/payable to the Auditor General's Department relating to:		
Financial statement audit	404	406
Regulatory accounts audit	37	35
	<u>441</u>	<u>441</u>

34 Dividends

	2016 \$'000	2015 \$'000
Dividends paid (a)	204,918	183,979
Dividend - debt transfer from the SA Government (b)	-	2,700,000
	<u>204,918</u>	<u>2,883,979</u>

(a) Dividends paid to the South Australian Government were based on the recommendation of the Board and approved by the Treasurer pursuant to section 30 of the Public Corporations Act 1993.

(b) On 1 July 2014 the SA Government announced that \$2.7 billion of debt would be transferred to SA Water. On 16 September 2014 the Treasurer requested the Board recommend an interim dividend of \$2.7 billion and on 18 September that recommendation was made by the Board. The transfer of debt occurred on 8 October 2014 by way of dividend from asset revaluation reserve and through government mechanisms that did not involve a cash transfer. The transfer of debt has increased long term borrowings and decreased the equity of the Corporation.

35 Remuneration of employees

	Current employees 2016	Ex-Employees 2016	Current employees 2015	Ex-Employees 2015
The number of employees whose remuneration paid and payables falls within the following bands is:				
\$141,500 - 145,000*	n/a	n/a	15	1
\$145,001 - 155,000	44	3	36	2
\$155,001 - 165,000	21	1	22	1
\$165,001 - 175,000	18	1	17	-
\$175,001 - 185,000	8	-	9	-
\$185,001 - 195,000	4	-	4	-
\$195,001 - 205,000	5	-	6	-
\$205,001 - 215,000	9	-	4	1
\$215,001 - 225,000	1	-	1	1
\$225,001 - 235,000	2	-	-	-
\$235,001 - 245,000	2	-	2	-
\$245,001 - 255,000	1	-	2	-
\$255,001 - 265,000	2	-	1	-
\$275,001 - 285,000	-	-	2	-
\$285,001 - 295,000	2	-	-	-
\$295,001 - 305,000	-	-	2	-
\$305,001 - 315,000	-	-	1	-
\$315,001 - 325,000	2	1	-	-
\$325,001 - 335,000	-	-	1	-
\$335,001 - 345,000	1	-	-	-
\$345,001 - 355,000	1	-	1	-
\$375,001 - 385,000	-	-	1	1
\$385,001 - 395,000	1	-	-	-
\$405,001 - 415,000	-	-	-	1
\$585,001 - 595,000	-	-	1	-
\$785,001 - 795,000	1	-	-	-
Total	125	6	128	8

*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 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 \$24.2m (2015: \$24.7m).

35 Remuneration of employees (continued)

	2016 \$'000	2015 \$'000
Targeted voluntary separation packages(TVSPs)		
Amount paid during the reporting period to separated employees:		
TVSPs	-	3,750
Annual leave and long service leave paid to those employees	-	1,233
Net cost to SA Water	<u>-</u>	<u>4,983</u>

The number of employees who received TVSPs during the reporting period was nil (2015: 24).

36 Remuneration of directors

The Board of SA Water was established under the South Australian Water Corporation Act 1994 and consists of up to seven members including the Chief Executive Officer. Note: Although a member of the Board, the Chief Executive Officer does not receive additional remuneration as a Board member. The remuneration of the Chief Executive Officer is included in Notes 35 and 37.

Remuneration of Directors (excluding the Chief Executive) is shown in the table below.

	2016 Number of directors	2015 Number of directors
The number of Directors of the Corporation (excluding the Chief Executive) whose remuneration paid and payable falls within the following bands is:		
\$0 - \$9,999	-	1
\$20,000 - \$29,999	-	1
\$30,000 - \$39,999	-	1
\$40,000 - \$49,999	3	1
\$50,000 - \$59,999	2	2
\$60,000 - \$69,999	-	-
\$70,000 - \$79,999	-	-
\$80,000 - \$89,999	1	1
Total	6	7

The total remuneration paid and payable for those Directors was \$0.32m (2015: \$0.30m) which includes superannuation contributions.

37 Related party disclosures

(a) Directors

The following persons held the position of Director of the Corporation during the financial year:

S.G.M. Blencowe, S.M. Filby, K.A. Maywald, L.W. Owens, C.A. Pickles, J.F. Ringham and I.F. Stirling.

37 Related party disclosures (continued)

(a) Directors (continued)

Ms Blencowe is a deputy presiding member of the City of Port Adelaide Enfield Development Assessment Panel, a member of the City of Port Adelaide Enfield Development Assessment Committee, and a member of the Advisory Board of Monopoly Property Group. Ms Blencowe was previously principal of Sybella Blencowe Lawyer and specialist member of the City of Port Adelaide Enfield Development Assessment Panel.

Ms Filby is a member of the Development Policy Advisory Committee and a facilitator with Behind Closed Doors. Ms Filby was previously a member of the Advisory Board SA of the Starlight Foundation.

Ms Maywald is Managing Director of Maywald Consultants Pty Ltd, Director of Sturt Fleurieu Education and Training, Chair of International Centre of Excellence in Water Resources Management (ICEWaRM), Member of the Advisory Council of Flinders University New Venture Institute, board member of Adelaide International 3 Day Event, partner in DR and KA Maywald, facilitator with Behind Closed Doors, strategic advisor to the Department of State Development, director of GPEx, and consultant to Water Corporation of Western Australia. Ms Maywald was previously Local Recovery Coordinator for the Sampson Flat Bushfire and previously chair of National Water Commission.

Mr Owens is Chair of SA Water, a Reconciliation Ambassador for Reconciliation SA, a member of the City of Marion Audit Committee, non-executive director of Australian Gas Networks, and chair of the Upper Spencer Gulf Common Purpose Group. Mr Owens was formerly chair of the SA Country Arts Trust.

Ms Pickles was previously the Chair of the South Australia State Library Foundation.

Mr Ringham is a Director and Chief Executive of SA Water, and member of the Australian Water Partnership.

Mr Stirling is Executive Chairman of Stirling Advisory Pty Ltd, director of A Noble and Son Limited Group of Companies and a member of the University of Adelaide Business School Advisory Board. He was recently Interim Chief Executive Officer with NSW Electricity Networks Operations Pty Ltd (TransGrid). Mr Stirling's previous roles include chairman of the Energy Supply Association of Australia (ESAA), deputy chairman of Business SA and, until recently, a director of the Botanic Gardens and State Herbarium of South Australia and Adelaide Botanic Gardens Foundation Inc. Mr Stirling was also a National Director and South Australian president of the Committee for Economic Development of Australia (CEDA).

Mr Roch Cheroux commenced duties on 16 June 2016 and became Chief Executive of SA Water on 1 July 2016 and, under section 12 of the South Australian Water Corporation Act 1994, became a director of SA Water. Immediately prior to joining SA Water, Mr Cheroux was Chief Executive Officer of SUEZ South East Asia and, between 2011 and 2015, was Chief Executive Officer (Australia and New Zealand) for SUEZ-Degrémont. Mr Cheroux was Managing Director of United Utilities Australia (now TRILITY) between 2008 and 2010. Mr Cheroux is a member of the board of the Water Services Association of Australia, a member of the Australian Water Association and, most recently, has been appointed to the SA Government's French Engagement Advisory Group.

All financial benefits provided by SA Water to related parties are provided on arm's length terms.

(b) Key management personnel

Key management personnel compensation for the years ended 30 June 2016 and 2015 is set out below. The key management personnel are the Directors of the Corporation (including the Chief Executive) and the Senior Leadership Team who have responsibility for the strategic direction and management of the Corporation.

The Minister for Water and the River Murray is also considered a member of the key management personnel of the Corporation by virtue of the Minister's power to control and direct the Corporation pursuant to the *Public Corporations Act 1993*. No remuneration has been included in this note disclosure for the Minister as he is not directly remunerated by the Corporation.

37 Related party disclosures (continued)

(b) Key management personnel (continued)

	Number of key management personnel	Short-term benefits \$'000	Post-employment benefits \$'000	Long-term benefits \$'000	Termination benefits \$'000	Total \$'000
2016*	17	3,009	294	74	-	3,377
2015*	17	2,929	309	181	-	3,419

*Both 2016 and 2015 include an overlap of SLT members.

38 Statement of Administered items

	2016		2015	
	River Murray Levy \$'000	Pensioner concessions \$'000	Total \$'000	Total \$'000
Consolidated entity				
Administered Income				
Revenue	(103)	-	(103)	53,906
Total Administered Revenues	(103)	-	(103)	53,906
Expenses	(103)	-	(103)	53,906
Total Administered Expenses	(103)	-	(103)	53,906
Operating Surplus	-	-	-	-
Consolidated entity				
Current Assets				
Cash and cash equivalents	339	-	339	179
Receivables	-	-	-	1,585
Total Current Assets	339	-	339	1,764
Total Administered Assets	339	-	339	1,764
Current Liabilities				
Payables	339	-	339	1,764
Total Current Liabilities	339	-	339	1,764
Total Administered Liabilities	339	-	339	1,764
Net Assets	-	-	-	-

38 Statement of Administered items (continued)

	2016		2015	
Consolidated entity	River Murray Levy \$'000	Pensioner concessions \$'000	Total \$'000	Total \$'000
Cash flows from operating activities				
Cash inflows	1,482	-	1,482	53,727
Total Cash Inflows	1,482	-	1,482	53,727
Cash outflows	1,291	31	1,322	53,896
Total Cash Outflows	1,291	31	1,322	53,896
Net cash inflow/(outflow) from operating activities	191	(31)	160	(169)
Net increase/(decrease) in cash held	191	(31)	160	(169)
Cash at the beginning of the reporting period	148	31	179	348
Cash at the end of the reporting period	339	-	339	179

39 SA Government transactions

(a) Income received/receivable from entities within the SA Government

	2016 \$'000	2015 \$'000
Rates and charges	61,425	64,601
Community service obligations	130,423	128,001
Recoverable works	11,225	9,112
Fees and charges	21	23
Miscellaneous	2	1
Government grants	515	339
Interest received	238	569
Total revenue - SA Government entities	203,849	202,646

(b) Expenses

Supplies and services

	2016 \$'000	2015 \$'000
Provided by entities within the SA Government		
Operational services	39,080	32,817
Administration	33,392	32,656
Materials & Other	5	1
Payroll tax	7,551	7,057
Maintenance contracts	3,407	1,901
Total supplies and services - SA Government entities	83,435	74,432

Borrowing costs

Provided by entities within the SA Government

Interest expense	326,654	303,239
Total Borrowing Costs provided by entities within the SA Government	326,654	303,239

39 SA Government transactions (continued)

(c) Receivables

	2016 \$'000	2015 \$'000
Receivables from SA Government entities		
Community service obligations	13,064	12,921
Rates receivable (water and sewer)	2,287	1,507
Sundry debtors	1,523	3,202
	<u>16,874</u>	<u>17,630</u>

(d) Payables

Current

	2016 \$'000	2015 \$'000
Payables to SA Government entities		
Trade creditors	7,899	3,279
Interest payable	58,500	58,949
Other creditors	8,973	4,678
	<u>75,372</u>	<u>66,906</u>

Non-Current

Payables to SA Government entities

Other creditors	<u>1,414</u>	<u>1,423</u>
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Certification of the Financial Statements

We certify that the attached general purpose financial statements for SA Water Corporation:

- 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 Corporation; and
- present a true and fair view of the financial position of SA Water Corporation 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 SA Water Corporation 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 Corporation 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.



Roch Cheroux
Chief Executive



Jamie Hollamby
GM Business Services



Lew Owens
Chairman

Date

15TH SEPTEMBER 2016



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**To the Chairman
South Australian Water Corporation**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 32(4) of the *Public Corporations Act 1993*, I have audited the accompanying financial report of the South Australian Water Corporation 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, Chief Executive Officer and the General Manager Business Services.

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 directors 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.

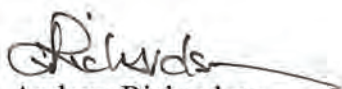
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. 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 directors 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 the South Australian Water Corporation'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 South Australian Water Corporation 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

Department of
State Development

Financial report
for the year ended
30 June 2016

Department of State Development
Statement of Comprehensive Income
for the year ended 30 June 2016

		2016	2015
	Note	\$'000	\$'000
Expenses			
Employee benefits	5	117,821	117,504
Supplies and services	6	78,580	79,823
Depreciation and amortisation	7	31,267	31,667
Grants and subsidies	8	528,337	538,094
Net loss from disposal of non-current assets	18	8,597	1,656
Other	9	3,816	5,408
Total expenses		768,418	774,152
Income			
Fees and charges	12	52,100	61,175
Industry license fees	13	6,816	6,667
Sale of electricity	14	4,329	4,126
Commonwealth	15	28,708	36,045
Interest and investment	16	395	428
Resources received free of charge	17	182	1,021
Other	19	15,844	14,519
Total income		108,374	123,981
Net cost of providing services		(660,044)	(650,171)
Revenues from / payments to SA Government			
Revenues from SA Government	20	641,280	686,720
Payments to SA Government	20	(7,873)	(14,861)
Net result		(26,637)	21,688
Other comprehensive income			
<i>Items that will not be reclassified to net result:</i>			
Changes in revaluation surplus	24	(3,321)	430
<i>Items that will be reclassified subsequently to net result when specific conditions are met:</i>			
Changes in financial assets available for sale revaluation surplus	26	466	381
Total comprehensive result		(29,492)	22,499

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

The movement in the net result is primarily due to a decrease in revenues from SA Government associated with a reduction in budgeted payments and carryover of expenditure from 2014-15.

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

Department of State Development
Statement of Financial Position
for the year ended 30 June 2016

		2016	2015
	Note	\$'000	\$'000
Current assets			
Cash and cash equivalents	21	107,115	172,225
Receivables	22	10,213	32,045
Non-current assets classified as held for sale	23	16,191	30,011
Total current assets		133,519	234,281
Non-current assets			
Property, plant and equipment	24	944,031	961,888
Intangibles	25	16,867	14,360
Investments	26	6,950	6,484
Total non-current assets		967,848	982,732
Total assets		1,101,367	1,217,013
Current liabilities			
Payables	28	26,836	122,032
Employee benefits	29	10,875	10,527
Provisions	30	395	314
Other	31	7,428	6,526
Total current liabilities		45,534	139,399
Non-current liabilities			
Payables	28	2,378	2,121
Employee benefits	29	25,898	23,744
Provisions	30	3,500	953
Other	31	1,313	818
Total non-current liabilities		33,089	27,636
Total liabilities		78,623	167,035
Net assets		1,022,744	1,049,978
Equity			
Retained Earnings	32	1,003,992	1,029,846
Financial asset available for sale revaluation surplus	32	4,346	3,880
Revaluation surplus	32	2,668	5,989
Contributed capital	32	11,738	10,263
Total equity		1,022,744	1,049,978
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	33		
Contingent assets and liabilities	34		

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

Department of State Development
Statement of Changes in Equity
for the year ended 30 June 2016

	Note	Retained earnings \$'000	Financial asset available for sale revaluation surplus \$'000	Revaluation surplus \$'000	Contributed capital \$'000	Total \$'000
Balance at 30 June 2014		16,152	-	5,559	-	21,711
Net result for 2014-15		22,351	-	-	-	22,351
Revaluation of land		-	-	430	-	430
Change in financial assets available for sale revaluation surplus		-	381	-	-	381
Total comprehensive result 2014-15		22,351	381	430	-	23,162
Contributed capital increases		-	-	-	10,263	10,263
Net assets received as a result of an administrative restructure		991,057	3,499	-	-	994,556
Net assets transferred as a result of an administrative restructure		1,720	-	-	-	1,720
Balance at 30 June 2015		1,031,280	3,880	5,989	10,263	1,051,412
Prior period adjustments		(1,434)	-	-	-	(1,434)
Restated balance at 30 June 2015		1,029,846	3,880	5,989	10,263	1,049,978
Net result for 2015-16		(26,637)	-	-	-	(26,637)
Revaluation of buildings	24	-	-	(3,321)	-	(3,321)
Change in financial assets available for sale revaluation surplus	26	-	466	-	-	466
Total comprehensive result 2015-16		(26,637)	466	(3,321)	-	(29,492)
Contributed capital increases		-	-	-	1,475	1,475
Net assets received as a result of an administrative restructure	35	(204)	-	-	-	(204)
Net assets transferred as a result of an administrative restructure	35	987	-	-	-	987
Balance at 30 June 2016		1,003,992	4,346	2,668	11,738	1,022,744

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

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

Department of State Development
Statement of Cash Flows
for the year ended 30 June 2016

		2016	2015
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
Cash flows from operating activities	Note		
Cash outflows			
Employee benefit payments		(113,633)	(116,493)
Payments for supplies and services		(115,839)	(114,654)
Payments for security deposits		(4,373)	(1,504)
Payments for grants and subsidies		(590,240)	(492,312)
Payments for paid parental leave scheme		(235)	(202)
Other payments		-	(3,445)
Cash used in operations		(824,320)	(728,610)
Cash inflows			
Fees and charges		66,820	78,258
Industry license fees		6,816	6,667
Sale of electricity		4,329	4,396
Receipts from Commonwealth		28,460	36,247
Interest and dividends received		393	428
Net GST recovered from ATO		22,195	12,740
Receipts for security deposits		5,358	34
Net receipts from paid parental leave scheme		260	212
Proceeds from the repayment of financial assistance		-	15
Other receipts		15,429	15,561
Cash generated from operations		150,060	154,558
Cash flows from SA Government			
Receipts from SA Government		641,280	686,720
Payments to SA Government		(7,873)	(14,861)
Cash generated from SA Government		633,407	671,859
Net cash (used in) / provided by operating activities	37	(40,853)	97,807
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(35,344)	(23,033)
Cash used in investing activities		(35,344)	(23,033)
Cash inflows			
Proceeds from sale of property, plant and equipment		9,612	16,035
Cash generated from investing activities		9,612	16,035
Net cash used in investing activities		(25,732)	(6,998)
Cash flows from financing activities			
Cash inflows			
Capital contributions from Government		1,475	10,263
Receipts from restructure activities		-	48,660
Net cash generated by financing activities		1,475	58,923
Net cash provided by financing activities		1,475	58,923
Net (decrease) / increase in cash		(65,110)	149,732
Cash as at the beginning of the period		172,225	22,493
Cash as at the end of the period	21	107,115	172,225

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

Department of State Development
Disaggregated Disclosures – Expenses and Income
for the year ended 30 June 2016

	Activity 1		Activity 2		Activity 3	
	Office of the Economic Development Board		Employment and Skills Formation		Science, Technology and Information Economy	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Expenses						
Employee benefits	1,669	1,663	38,054	44,187	2,981	3,087
Supplies and services	999	1,762	20,949	29,437	1,484	1,058
Depreciation and amortisation	8	30	22,000	21,277	56	144
Grants and subsidies	78	105	330,848	351,941	14,347	12,913
Net loss from disposal of non-current assets	62	1	2,876	1,609	426	5
Other	15	-	1,991	5,098	112	-
Total expenses	2,831	3,561	416,718	453,549	19,406	17,207
Income						
Fees and charges	-	1	22,010	31,974	3	1
Industry license fees	-	-	-	-	-	-
Sale of electricity	-	-	-	-	-	-
Commonwealth	-	-	27,706	34,939	-	-
Interest and investment	-	2	202	179	1	2
Resources received free of charge	-	-	98	980	1	-
Other	25	445	2,421	3,576	325	338
Total income	25	448	52,437	71,648	330	341
Net cost of providing services	(2,806)	(3,113)	(364,281)	(381,901)	(19,076)	(16,866)
Revenues from / payments to SA Government						
Revenues from SA Government	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-
Net result	(2,806)	(3,113)	(364,281)	(381,901)	(19,076)	(16,866)

The above statement should be read in conjunction with the accompanying notes.
For activity detail refer to note 4.

Department of State Development
Disaggregated Disclosures – Expenses and Income
for the year ended 30 June 2016

	Activity 4		Activity 5		Activity 6	
	Arts		Health Industries SA		Mineral Resources and Energy	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Expenses						
Employee benefits	8,623	5,979	1,300	941	37,645	37,076
Supplies and services	6,390	4,414	541	647	32,413	31,674
Depreciation and amortisation	6,573	6,456	6	14	2,422	3,253
Grants and subsidies	128,836	134,981	13	14	28,634	15,480
Net loss from disposal of non-current assets	1,376	12	42	-	2,272	11
Other	618	310	10	-	691	-
Total expenses	152,416	152,152	1,912	1,616	104,077	87,494
Income						
Fees and charges	7,184	7,580	-	-	22,086	21,607
Industry license fees	-	-	-	-	6,816	6,667
Sale of electricity	-	-	-	-	4,329	4,126
Commonwealth	-	249	-	-	504	479
Interest and investment	-	-	-	-	146	198
Resources received free of charge	-	41	-	-	70	-
Other	3,847	3,096	-	16	3,806	3,204
Total income	11,031	10,966	-	16	37,757	36,281
Net cost of providing services	(141,385)	(141,186)	(1,912)	(1,600)	(66,320)	(51,213)
Revenues from / payments to SA Government						
Revenues from SA Government	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-
Net result	(141,385)	(141,186)	(1,912)	(1,600)	(66,320)	(51,213)

The above statement should be read in conjunction with the accompanying notes.
For activity detail refer to note 4.

Department of State Development
Disaggregated Disclosures – Expenses and Income
for the year ended 30 June 2016

	Activity 7		Activity 8		Activity 9	
	Opportunities for Small Business		Water Industry Technical and Safety Regulation		Globally Integrating the SA Economy	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Expenses						
Employee benefits	1,783	587	1,735	1,479	10,468	8,925
Supplies and services	770	264	592	952	6,915	4,636
Depreciation and amortisation	8	11	7	21	69	180
Grants and subsidies	226	403	1	7	5,712	7,643
Net loss from disposal of non-current assets	63	-	53	1	523	7
Other	15	-	13	-	129	-
Total expenses	2,865	1,265	2,401	2,460	23,816	21,391
Income						
Fees and charges	-	-	24	8	771	1
Industry license fees	-	-	-	-	-	-
Sale of electricity	-	-	-	-	-	-
Commonwealth	-	-	1	-	347	264
Interest and investment	-	-	10	14	9	3
Resources received free of charge	-	-	5	-	4	-
Other	30	-	2,546	2,495	988	195
Total income	30	-	2,586	2,517	2,119	463
Net cost of providing services	(2,835)	(1,265)	185	57	(21,697)	(20,928)
Revenues from / payments to SA Government						
Revenues from SA Government	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-
Net result	(2,835)	(1,265)	185	57	(21,697)	(20,928)

The above statement should be read in conjunction with the accompanying notes.
For activity detail refer to note 4.

Department of State Development
Disaggregated Disclosures – Expenses and Income
for the year ended 30 June 2016

	Activity 10		Activity 11		General / Not Attributable	
	Industry and Innovation		Aboriginal Affairs and Reconciliation			
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Expenses						
Employee benefits	7,955	8,163	5,608	5,417	-	-
Supplies and services	5,648	3,124	1,879	1,855	-	-
Depreciation and amortisation	82	174	36	107	-	-
Grants and subsidies	14,864	9,232	4,778	5,375	-	-
Net loss from disposal of non-current assets	626	6	278	4	-	-
Other	154	-	68	-	-	-
Total expenses	29,329	20,699	12,647	12,758	-	-
Income						
Fees and charges	14	-	8	3	-	-
Industry license fees	-	-	-	-	-	-
Sale of electricity	-	-	-	-	-	-
Commonwealth	150	114	-	-	-	-
Interest and investment	5	1	22	29	-	-
Resources received free of charge	2	-	2	-	-	-
Other	1,079	38	777	1,116	-	-
Total income	1,250	153	809	1,148	-	-
Net cost of providing services	(28,079)	(20,546)	(11,838)	(11,610)	-	-
Revenues from / payments to SA Government						
Revenues from SA Government	-	-	-	-	641,280	686,720
Payments to SA Government	-	-	-	-	(7,873)	(14,861)
Net result	(28,079)	(20,546)	(11,838)	(11,610)	633,407	671,859

The above statement should be read in conjunction with the accompanying notes.
For activity detail refer to note 4.

Department of State Development
Disaggregated Disclosures – Expenses and Income
for the year ended 30 June 2016

	Activity Total	
	2016	2015
	\$'000	\$'000
Expenses		
Employee benefits	117,821	117,504
Supplies and services	78,580	79,823
Depreciation and amortisation	31,267	31,667
Grants and subsidies	528,337	538,094
Net loss from disposal of non-current assets	8,597	1,656
Other	3,816	5,408
Total expenses	768,418	774,152
Income		
Fees and charges	52,100	61,175
Industry license fees	6,816	6,667
Sale of electricity	4,329	4,126
Commonwealth	28,708	36,045
Interest and investment	395	428
Resources received free of charge	182	1,021
Other	15,844	14,519
Total income	108,374	123,981
Net cost of providing services	(660,044)	(650,171)
Revenues from / payments to SA Government		
Revenues from SA Government	641,280	686,720
Payments to SA Government	(7,873)	(14,861)
Net result	(26,637)	21,688

The above statement should be read in conjunction with the accompanying notes.
For activity detail refer to note 4.

Department of State Development
Disaggregated Disclosures – Assets and Liabilities
for the year ended 30 June 2016

	Activity 1 Office of the Economic Development Board		Activity 2 Employment and Skills Formation		Activity 3 Science, Technology and Information Economy	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Assets						
Cash and cash equivalents	-	-	-	-	-	-
Receivables	-	-	4,485	13,657	-	-
Non-current assets classified as held for sale	-	-	15,699	29,519	-	-
Property plant and equipment	-	-	765,274	781,084	-	-
Intangibles	-	-	16,006	13,547	-	-
Investments	-	-	6,950	6,484	-	-
Total assets	-	-	808,414	844,291	-	-
Liabilities						
Payables	393	2,740	8,801	51,268	645	1,646
Employee benefits	521	485	12,400	12,835	930	900
Provisions	55	18	1,438	418	99	33
Other	22	23	554	449	32	14
Total liabilities	991	3,266	23,193	64,970	1,706	2,593
Net Assets	(991)	(3,266)	785,221	779,321	(1,706)	(2,593)

	Activity 4 Arts		Activity 5 Health Industries SA		Activity 6 Mineral Resources and Energy	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Assets						
Cash and cash equivalents	19,535	13,925	-	-	-	-
Receivables	1,060	3,967	-	-	4,485	11,216
Non-current assets classified as held for sale	492	492	-	-	-	-
Property plant and equipment	155,089	156,647	-	-	23,668	24,157
Intangibles	366	394	-	-	495	419
Investments	-	-	-	-	-	-
Total assets	176,542	175,425	-	-	28,648	35,792
Liabilities						
Payables	2,068	1,384	262	1,006	10,692	49,264
Employee benefits	2,169	1,796	406	275	11,749	10,814
Provisions	106	124	43	10	1,244	400
Other	6	16	12	9	7,773	6,690
Total liabilities	4,349	3,320	723	1,300	31,458	67,168
Net Assets	172,193	172,105	(723)	(1,300)	(2,810)	(31,376)

The above statement should be read in conjunction with the accompanying notes.
For activity detail refer to note 4.

Department of State Development
Disaggregated Disclosures – Assets and Liabilities
for the year ended 30 June 2016

	Activity 7 Opportunities for Small Business		Activity 8 Water Industry Technical and Safety Regulation		Activity 9 Globally Integrating the SA Economy	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Assets						
Cash and cash equivalents	-	-	-	-	-	-
Receivables	-	-	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-	-	-
Property plant and equipment	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Total assets	-	-	-	-	-	-
Liabilities						
Payables	364	410	325	1,481	2,583	7,211
Employee benefits	557	171	541	431	3,267	2,603
Provisions	59	6	57	16	346	96
Other	17	3	13	13	149	61
Total liabilities	997	590	936	1,941	6,345	9,971
Net Assets	(997)	(590)	(936)	(1,941)	(6,345)	(9,971)

	Activity 10 Industry and Innovation		Activity 11 Aboriginal Affairs and Reconciliation		General / Not Attributable	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Assets						
Cash and cash equivalents	-	-	-	-	87,580	158,300
Receivables	-	-	-	-	183	3,205
Non-current assets classified as held for sale	-	-	-	-	-	-
Property plant and equipment	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Total assets	-	-	-	-	87,763	161,505
Liabilities						
Payables	2,036	4,858	1,045	2,885	-	-
Employee benefits	2,483	2,381	1,750	1,580	-	-
Provisions	263	88	185	58	-	-
Other	122	41	41	25	-	-
Total liabilities	4,904	7,368	3,021	4,548	-	-
Net Assets	(4,904)	(7,368)	(3,021)	(4,548)	87,763	161,505

The above statement should be read in conjunction with the accompanying notes.
For activity detail refer to note 4.

Department of State Development
Disaggregated Disclosures – Assets and Liabilities
for the year ended 30 June 2016

	Activity Total	
	2016	2015
	\$'000	\$'000
Assets		
Cash and cash equivalents	107,115	172,225
Receivables	10,213	32,045
Non-current assets classified as held for sale	16,191	30,011
Property plant and equipment	944,031	961,888
Intangibles	16,867	14,360
Investments	6,950	6,484
Total assets	1,101,367	1,217,013
Liabilities		
Payables	29,214	124,153
Employee benefits	36,773	34,271
Provisions	3,895	1,267
Other	8,741	7,344
Total liabilities	78,623	167,035
Net Assets	1,022,744	1,049,978

The above statement should be read in conjunction with the accompanying notes.
For activity detail refer to note 4.

Department of State Development

Notes to and forming part of the financial statements

1 Objectives of the Department of State Development

As the lead agency for six of the ten South Australian economic priorities, the Department of State Development is responsible for driving economic growth and creating jobs.

The department supports South Australia's economic transformation under priorities of:

- unlocking the full potential of the state's resources, energy and renewable assets
- a globally recognised leader in health research and ageing
- the Knowledge State – attracting a diverse student body and commercialising our research
- growth through innovation
- promoting our international connections and engagement
- ensuring our small businesses have access to capital and global markets.

The department brings together responsibility for the state's growing resources and energy portfolio, the transformation to high-value manufacturing and responsibility for training, employment and skills initiatives and science. The department works in close partnership with business, the education sector, community and key stakeholders to harness South Australia's expertise in innovation, skills development and industry transformation.

The department also provides leadership for cross-government policy development on Aboriginal affairs, reconciliation and Aboriginal economic development. This includes skills development, job creation, business development and sustainable employment for Aboriginal people, including support for Aboriginal young people and those living in regional and remote South Australia.

The department is also responsible for maximising the social and economic contribution made by the arts and driving opportunities to grow creative industries through innovation, as well as high-value technology sectors, including medical research and biotechnology.

Increasing the focus on innovation will be crucial to assisting all sectors move up the value chain through more advanced techniques and services.

The department also has responsibility for implementing the automotive transformation strategy for South Australia, together with the Commonwealth Government's Growth Fund.

The department drives South Australia's continuing high-growth and high-value sectors including minerals and resources, information and communications technology, advanced manufacturing and renewable energy. It also coordinates the state government's engagement with small to medium businesses, ensuring local firms have access to growing supply chain opportunities in sectors such as oil and gas, defence and aerospace.

The department further develops trade opportunities and the internationalisation of our economy. By working with the business and the higher education sectors it is building a smart future for South Australia.

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 and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions 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.

Department of State Development

Notes to and forming part of the financial statements

Except for AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities: 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 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 department's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes.
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.
- compliance with 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. The threshold of \$100 000 for separate identification of these items has not been applied;
 - b) expenses incurred as a result of engaging consultants;
 - c) employee targeted voluntary separation package information;
 - d) employees whose normal remuneration is equal 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 were valued in accordance with the valuation policy applicable.

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

The financial statements have been prepared based on a twelve month 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) Reporting entity

The department is a government department of the State of South Australia, established pursuant to the *Public Sector Act 2009*. The *Public Sector (Investment Attraction South Australia) Proclamation 2016*, (dated 10 March 2016) declared the establishment of Investment Attraction South Australia (IASA) as an attached office of the Department of State Development effective from 1 April 2016. As at this date, 31 staff transferred to IASA as agreed between Chief Executives, pursuant to section 9 of the *Public Sector Act 2009* (refer note 35).

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. Administered items are disclosed in the administered financial statements at the end of the controlled General Purpose Financial Statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

Department of State Development

Notes to and forming part of the financial statements

d) Principles of consolidation

Scope Global Pty Ltd, which has a reporting date of 30 June, is controlled by the Minister for Investment and Trade. Its principal activity is to secure international contracts for work in vocational education and training.

Although the Minister has control over Scope Global Pty Ltd it is not considered part of the department's operations. The department cannot influence the decisions of Scope Global Pty Ltd, nor can the department dominate the financial and operational policies of Scope Global Pty Ltd. Consequently, Scope Global Pty Ltd was not consolidated in the accounts nor disclosed as an Associate. The value of Scope Global Pty Ltd is shown in the Statement of Financial Position under Investments (refer note 26).

The Minister for Science and Information Economy has a 25% interest in SABRENet. SABRENet was registered on 28 September 2005 as a non-profit company limited by guarantee and has been recognised by the ATO as a tax exempt entity. The founding members are the three South Australian Universities and the South Australian Government. The objectives for which the company was established are to be a non-profit institution to further the use of advanced data networking for the conduct of research and education in South Australia for the benefit of South Australia and for the purposes of economic and social advancement in Australia generally. While the Minister has significant influence over SABRENet, the Minister's interest in SABRENet is limited to the Minister's use of SABRENet's asset (the network). That is, the Minister receives no return for its interest in SABRENet. SABRENet is not accounted for using the equity method as the Minister does not have access to the residual assets of the entity.

e) Transferred functions

The *Public Sector (Reorganisation of Public Sector Operations) Notice 2015*, (dated 21 May 2015) declared that all employees employed in the business unit known as the Office of the Industry Advocate, an operational unit of the Department of the Premier and Cabinet, would transfer to the Department of State Development effective 1 July 2015 (refer note 35).

The *Public Sector (Investment Attraction South Australia) Proclamation 2016*, (dated 10 March 2016) declared the establishment of Investment Attraction South Australia (IASA) as an attached office of the Department of State Development effective from 1 April 2016. As at this date, 31 staff transferred to IASA as agreed between Chief Executives, pursuant to section 9 of the *Public Sector Act 2009* (refer note 35).

Effective 4 April 2016, two staff were transferred to Defence SA as agreed between Chief Executives, pursuant to section 9 of the *Public Sector Act 2009*. Under this machinery of government change approved by Cabinet, responsibility for the space industry and space development sector, including preparations for the 68th International Astronautical Congress moved from the Department of State Development to Defence SA (refer note 35).

f) 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. 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. The budget process is not subject to audit. 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 financial statement information.

Department of State Development

Notes to and forming part of the financial statements

g) 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.

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.

h) Rounding

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

i) Taxation

The department is not subject to income tax. The department 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 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.

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.

j) 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. Refer to Note 39.

k) Income

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

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

The following are specific recognition criteria:

Revenues from SA Government

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

Department of State Development

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Fees and Charges

Fees and charges are recognised as revenues upon invoice and mainly relate to mining and petroleum application fees, rental for Adelaide Festival Centre, licences, and recharges to TAFE SA.

Commonwealth Revenues

Commonwealth grants are recognised as revenues when the department obtains control over the funding. Control over grants is normally obtained upon receipt.

Recoveries

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

Administered - royalty receipts

Royalty revenue relates to minerals and petroleum production and is collected pursuant to the *Roxby Downs (Indenture Ratification) Act 1982*, *Whyalla Steel Works Act 1958*, *Mining Act 1971* and the *Petroleum & Geothermal Energy Act 2000*. Royalty revenue is recognised as income in the period when the timing and value of the receipt is certain.

Net gain on non-current assets

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

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

I) 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 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 department to the superannuation plan in respect of current services of current departmental staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole of government financial statements.

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.

Department of State Development

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Works of art controlled by the department have very long and indeterminate useful lives. Their service potential has not, in any material sense been consumed during the reporting period. Consequently, no depreciation has been recognised.

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

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

Depreciation / amortisation 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	25 – 80
Leasehold Improvements	Life of lease
Plant and Equipment	2 – 60
Intangibles / Software	3 – 10

Grants and subsidies

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

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

Resources provided free of charge

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

Payments to SA Government

Payments to the SA Government relate to the return of surplus cash pursuant to the cash alignment policy and payments to the consolidated account for proceeds received from the sale of property.

m) Current and non-current classification

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

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

n) Financial Assets (Investments)

In accordance with AASB 139 other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available for sale financial assets

Certain shares held are classified as being available for sale and are stated at fair value. In accordance with Accounting Policy Framework IV – Financial Assets and Liabilities, Treasury and Finance has approved the measurement of Scope Global Pty Ltd by reference to the Equity Method prescribed by AASB 128 Investments in Associates, whereby the

Department of State Development

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investor's share of the investee's profit or loss is recognised in the investor's profit or loss. Gains and losses arising from changes in fair value are recognised directly in the financial assets available for sale revaluation surplus where it exists, until the investment is disposed of or is determined to be impaired. If there is a reduction in value arising from impairment it is recognised against the revaluation surplus where it exists. This category includes investments classified as 'available for sale' and any investments that do not fit the definitions for inclusion in any of the categories contained in AASB 139.

o) 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.

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 its nominal value for Australian accounts while overseas accounts are measured using the exchange rate as per OANDA.com as at 30 June.

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 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 department will not be able to collect the debt. Bad debts are written off when identified.

Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification.

Non-current assets relating to TAFE SA that will be transferred to Renewal SA (refer note 39) have not been disclosed as non-current assets held for sale because at the time of reporting, a reliable sale price has not been established. These assets are currently included in Property, Plant and Equipment (note 24).

Non-current assets classified as held for sale are presented separately from the other assets in the Statement of Financial Position.

Non-current assets

Acquisition and recognition

Non-current assets are initially recorded at cost, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation which gives rise to a new fair value.

Where assets are acquired at no cost, or minimal cost, they are recorded at fair value in the Statement of Financial Position.

However, if the assets are acquired at no or minimal cost as part of a restructure of administrative arrangements then the assets are recognised at book value i.e. the amount recorded by the transferor public authority immediately prior to the restructure.

All non-current tangible assets with a value equal to or in excess of \$10,000 are capitalised, with the exception of works of art. All works of art are capitalised irrespective of their value.

Department of State Development

Notes to and forming part of the financial statements

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 three years.

Every five years, the department revalues its land, buildings, leasehold improvements, works of art, core library and energy distribution and generation assets via an independent Certified Practising Valuer.

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 less depreciation until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset 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 asset revaluation surplus to the extent of the credit balance existing in the 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 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 asset's fair value less costs of disposal. However, there are instances where the asset is recorded at depreciated replacement cost as no market exists to obtain fair value. In these cases depreciated replacement cost is used. 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.

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 definite or indefinite. The department only has intangible assets with definite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10 000.

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

Where subsequent expenditure on intangible assets cannot be attributed to existing intangible assets, the expenditure is not capitalised but is classified as expenditure in the Statement of Comprehensive Income.

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.

Department of State Development

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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.
- 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.

Non-financial assets

In determining fair value, the department 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 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 measure was based on current use.

The carrying amount of non-financial assets with 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 Note 23 to 27 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements.

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 creditors, accrued expenses, GST payable, 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 department.

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

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.

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, Return to Work SA levies and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

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

Department of State Development

Notes to and forming part of the financial statements

Leases

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

The department has entered into operating leases in relation to office accommodation and motor vehicles for its administrative and operating activities.

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.

Financial guarantees

At the time a financial guarantee contract is issued, it is recognised as a contingent liability as it is not expected that the guarantee will be called upon. If there is a material increase in the likelihood that the guarantee may have to be exercised, the financial guarantee is measured at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

In determination of fair value, consideration is given to the following factors:

- the overall capital management / prudential supervision framework in operation
- the protection provided by the State Government by way of funding should the probability of default increase
- the probability of default by the guaranteed party
- the likely loss to the department in the event of default.

The department has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2016 (there was no material liability recognised for financial guarantee contracts in 2015).

Whilst no liability has been recognised for financial guarantee contracts, further note disclosures relating to financial guarantees are contained at note 34.

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 their nominal amounts.

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

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.

Department of State Development

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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 the amount of long service leave expected to be taken in the next 12 months, based on historical data.

Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at 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 department is responsible for the payment of workers compensation claims.

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 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

The department did not change any of its accounting policies during 2015-16.

Except for AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities: 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 period ending 30 June 2016. The department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the department.

AASB 16 Leases will apply for the first time to the 30 June 2020 financial report. The standard will require the department 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.

Department of State Development

Notes to and forming part of the financial statements

4 Activities of the department

The department has identified 11 broad activities that reflect the nature of the services delivered to the South Australian community. The activities and their objectives of the department are:

Activity 1: Office of the Economic Development Board

This activity is to support the Economic Development Board (EDB) by providing a secretariat function as well as oversight and management of its assigned budget, including procurement and contracting management functions.

Activity 2: Employment and Skills Formation

This activity is to strengthen the economic prosperity and social wellbeing of South Australians through:

- strategic employment, skills formation and workforce development
- implementing the WorkReady and Jobs and Skills policies.

Activity 3: Science, Technology and Information Economy

This activity is to provide the government with a strategic and coordinated focus in science, technology and information economy policy development and program delivery, to support state productivity, and maximise economic benefit to the state.

Activity 4: Arts

This activity is to ensure the state recognises and capitalises on economic opportunities arising from the diverse arts and cultural organisations, practitioners, events and physical assets in the state by developing programs that build on cultural heritage and creativity, and providing financial support to the creative industries.

Activity 5: Health Industries SA

This activity is to increase investment and employment in South Australia's health and biomedical sector to achieve the government's vision for the state to become a globally recognised leader in health research, ageing and related services and products.

Activity 6: Mineral Resources and Energy

This activity is to unlock the full potential of South Australia's resources, energy and renewable assets and maintain the state's reputation as a leading resource investment destination.

Activity 7: Opportunities for Small Business

This activity is to support small businesses to establish, grow and be sustainable by providing online self-help tools, resources and information, advice and support for business licensing, along with targeted business development training and workshops, and to support the role of the Small Business Commissioner.

Activity 8: Water Industry Technical and Safety Regulation

This activity is to support the enforcement, compliance and promotion of technical and safety regulation of plumbing and equipment.

Department of State Development

Notes to and forming part of the financial statements

Activity 9: Globally Integrating the SA Economy

This activity is to support sustainable economic growth by building on South Australia's competitive advantages by facilitating investment, account management of key businesses, case management of major projects across the state, and management of trade, population and migration policies. It also contributes directly to meeting the skills needs of the state's employers via nomination of skilled migrants and certification of employer applications to nominate skilled migrants.

Activity 10: Industry and Innovation

This activity is to assist with the transformation of the state's economy to utilise advanced technologies with innovative business and revenue models to build globally competitive high-value firms and activities. Through targeted programs such as Manufacturing Works, Our Jobs and Northern Economic Plan, this activity supports the state's manufacturing and small business sectors to increase and build their capacity and capability to innovate, develop new products, and enter and compete in new markets.

Activity 11: Aboriginal Affairs and Reconciliation

This activity is to empower Aboriginal people to have a stronger voice in decision making across government and within communities, and provide leadership in the promotion of effective governance arrangements. The department provides whole of government policy advice and leadership, supports engagement with Aboriginal stakeholders through the provision of culturally appropriate advice to government, facilitates the protection and preservation of Aboriginal heritage and culture, and supports the state's Aboriginal land holding authorities.

The disaggregated disclosure schedules present expenses, income, assets and liabilities information attributable to each of these activities for the years ended 30 June 2016 and 30 June 2015. The activities of the department are consistent with those reported in the 2015-16 Budget papers.

Department of State Development
Notes to and forming part of the financial statements

5 Employee benefits expense

	Note	2016 \$'000	2015 \$'000
Salaries and wages		84,253	83,601
TVSPs (refer below)		256	4,332
Long service leave		4,565	4,655
Annual leave		8,138	7,281
Skills and experience retention leave		296	647
Employment on-costs - superannuation		10,311	10,043
Employment on-costs - other		5,611	5,619
Workers compensation		3,098	-
Board fees	36	1,293	1,326
Total employee benefits expense		117,821	117,504

Workers compensation has increased primarily due to a change in the treatment of Seriously Injured Claims in the actuarial valuation. The methodology used in previous years allocated the liability of Seriously Injured Claims across agencies. In 2016 the liability for Seriously Injured Claims has been allocated to the agencies that hold these claims. An employee was injured in the workplace in 2012 which resulted in a greater than 30% body impairment which requires the department to provide income maintenance for the normal working life of the employee.

	2016 \$'000	2015 \$'000
Targeted voluntary separation packages (TVSPs) and early terminations		
Amount paid during the reporting period to these employees:		
TVSPs	256	4,332
Annual leave, LSL and SERL paid to those employees	61	1,305
Employment on-costs (payroll tax and Shared Services SA processing fees)	4	134
	321	5,771
Recovery from the Department of Treasury and Finance	-	(3,861)
Net cost to the department	321	1,910

The number of employees who received a TVSP or early termination payment during 2015-16 was 4 (36).

The recovery from the Department of Treasury and Finance of \$3.861 million in 2015 is reflected in the financial statements as Revenues from SA Government.

Department of State Development
Notes to and forming part of the financial statements

Remuneration of employees

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

	2016	2015
	Number	Number
	of	of
	Employees	Employees
\$141 500 - \$145 000*	n/a	3
\$145 001 - \$155 000	14	10
\$155 001 - \$165 000	12	9
\$165 001 - \$175 000	6	12
\$175 001 - \$185 000	7	9
\$185 001 - \$195 000	10	7
\$195 001 - \$205 000Δ	10	7
\$205 001 - \$215 000^	6	4
\$215 001 - \$225 000^	3	7
\$225 001 - \$235 000	2	3
\$235 001 - \$245 000	1	3
\$245 001 - \$255 000	1	1
\$255 001 - \$265 000	-	2
\$265 001 - \$275 000	2	1
\$275 001 - \$285 000	3	1
\$295 001 - \$305 000	-	2
\$305 001 - \$315 000	-	2
\$315 001 - \$325 000^	2	3
\$325 001 - \$335 000Δ	2	-
\$345 001 - \$355 000	1	-
\$375 001 - \$385 000^	1	3
\$405 001 - \$415 000	1	-
\$455 001 - \$465 000Δ	1	-
\$505 001 - \$515 000	1	-
\$575 001 - \$585 000^	-	1
\$675 001 - \$685 000Δ	1	-
Total number of employees	87	90

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

Δ This bandwidth includes employees that have received TVSP and (or) termination payments in 2015-16.

^ This bandwidth includes employees that have received TVSP and (or) termination payments in 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, TVSPs / early terminations, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$19.933 million (\$18.757 million).

This table includes three employees that transitioned to Investment Attraction South Australia (IASA) on 1 April 2016.

Department of State Development
Notes to and forming part of the financial statements

6 Supplies and services

	Note	2016 \$'000	2015 \$'000
Accommodation and service costs		18,917	18,230
Accounting and audit fees		381	405
Communications and information technology		7,172	12,162
Contractors		16,108	13,569
Consultancies (refer below)		4,601	4,583
Energy supply fuel and lubricants		5,651	6,488
Lease incentive amortisation	31	(276)	(240)
Marketing		3,393	1,858
Office administration expenses		9,316	9,086
Overseas trade representation ⁽¹⁾		648	676
Remote areas energy supplies (RAES)		1,117	1,945
Shared service fees ⁽²⁾		4,061	3,830
Staff related expenses		2,177	2,266
Travel and related expenses		5,314	4,965
Total supplies and services		78,580	79,823

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to the department not holding a tax invoice or payments related to third party arrangements.

¹⁾ Represents payments made to Austrade relating to activities promoting South Australia.

²⁾ Represents payments to the Department of Planning, Transport and Infrastructure, Department of Primary Industries and Regions SA and the Department of the Premier and Cabinet for the provision of corporate support and project management services.

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

	Number	2016 \$'000	Number	2015 \$'000
Below \$10,000	37	159	32	148
Equal or above \$10,000	76	4,442	72	4,435
Total paid / payable to the consultants engaged	113	4,601	104	4,583

7 Depreciation and amortisation expenses

	2016 \$'000	2015 \$'000
Depreciation		
Plant and equipment	2,175	2,849
Buildings and Leasehold improvements	27,126	26,755
Total depreciation	29,301	29,604
Amortisation		
Intangible / software	1,966	2,063
Total amortisation	1,966	2,063
Total depreciation and amortisation expense	31,267	31,667

Department of State Development
Notes to and forming part of the financial statements

8 Grants and subsidies

	2016	2015
	\$'000	\$'000
Class of assistance;		
Arts and Cultural	128,818	127,625
TAFE SA	234,287	232,839
Skills and Employment - VET Subsidies	52,852	79,587
Skills and Employment - Other	43,616	46,786
Resources and Energy	28,513	15,205
Industry and Innovation	29,376	22,298
Investment Attraction SA	2,931	-
International Engagement, Immigration and Higher Education	2,777	7,581
Aboriginal Affairs and Reconciliation	4,775	5,341
Other	392	832
Total grants and subsidies	528,337	538,094

In 2016, DSD provided TAFE SA with funding of \$234.3 million relating primarily to VET subsidies and structural support (\$223.8 million), capital grant funding (\$6.3 million) and TVSP support (\$3.4 million).

In 2015, DSD provided TAFE SA with funding of \$232.8 million relating primarily to VET subsidies and structural support (\$221.2 million), capital grant funding (\$5.4 million) and TVSP support (\$3.4 million).

Department of State Development
Notes to and forming part of the financial statements

Further details of the Arts and Cultural grant recipients are as follows:

	2016	2015
	\$'000	\$'000
Libraries Board of South Australia	33,184	33,888
Adelaide Festival Centre Trust	17,454	17,098
Art Gallery Board	12,219	12,349
Museum Board	11,471	11,071
Country Arts SA	9,275	5,054
Adelaide Festival Corporation	8,367	8,207
Arts industry assistance	5,887	10,429
South Australian Film Corporation	5,758	4,760
History Trust of South Australia	5,608	5,327
Arts Project assistance	3,454	2,772
Adelaide Symphony Orchestra	2,553	2,501
State Theatre Company of South Australia	2,528	2,507
Adelaide Fringe	1,619	1,685
State Opera of South Australia	1,579	1,551
Australian Dance Theatre	1,205	1,226
Jam Factory of Contemporary Craft and Design	1,106	1,204
Adelaide Film Festival	1,103	1,129
Tandanya	1,080	1,092
The Australian Children's Performing Arts Company	1,040	1,102
Carrick Hill Trust	971	925
Disability Information & Resource Centre	-	100
Other grants and subsidies	1,357	1,648
Total Arts and Cultural grants	128,818	127,625

Department of State Development
Notes to and forming part of the financial statements

9 Other expenses

	2016 \$'000	2015 \$'000
Bad and doubtful debts	403	479
Donated assets	-	1,598
Asset derecognition	3,055	599
Assets written down to fair value - Land and buildings held for sale	76	2,690
Other	282	42
Total other expenses	3,816	5,408

The increase in asset derecognition expense in 2016 is due to the derecognition of assets on Aboriginal lands to reflect that these assets are controlled by Aboriginal landholding authorities and not by the department.

10 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	377	401
Total audit fees	377	401

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 accounting and audit fees (refer note 6).

11 Overseas representative offices

The following table provides a summary of the financial transactions for the reporting period for overseas offices.

The costs relating to overseas representation provided through Austrade are not included in the table below.

	2016 Total \$'000	2015 Total \$'000
Operating expenses	569	386
Operating revenues	11	-
Funds advanced to overseas offices towards operating expenses	460	396

The financial year ended 30 June 2015 includes residual costs relating to the Shanghai office closure and full year costs for the Jinan office.

The financial year ended 30 June 2016 includes full year costs for the Jinan office and additional support provided for the South Australian Governments trade efforts, including building on the South Australia-Shandong Province sister state relationship.

Department of State Development
Notes to and forming part of the financial statements

12 Revenues from fees and charges

	2016	2015
	\$'000	\$'000
Infrastructure recharge to TAFE SA	20,727	23,753
Corporate services recharge to TAFE SA	136	2,341
Mining and petroleum application fees, rentals and licences	21,735	21,497
Rental income	5,860	6,421
Immigration application fees	724	20
Arts industry related fees	1,277	1,835
Fees for services	18	4,213
Contract administration	686	776
Other	937	319
Total revenues from fees and charges	52,100	61,175

The reduction in revenue from fees and charges in 2016 is predominantly due to lower recharges to TAFE SA of \$9.4 million. The reduction is due to lower infrastructure costs due to TAFE SA vacating office and campus sites and the transfer of information, communication and technology services from the department to TAFE SA including the transfer of employees.

13 Industry license fees

	2016	2015
	\$'000	\$'000
Industry license fees	6,816	6,667
Total Industry license fees	6,816	6,667

Industry license fees include license fees on electricity and gas and industry bodies in South Australia. Fees are determined by the Minister for Mineral Resources and Energy and are levied by the Essential Services Commission of South Australia.

14 Sale of electricity

	2016	2015
	\$'000	\$'000
Sale of electricity - remote areas	4,329	4,126
Total sale of electricity	4,329	4,126

The sale of electricity revenue is electricity tariff charges to customers within the Remote Areas Energy Supplies (RAES) scheme.

Department of State Development
Notes to and forming part of the financial statements

15 Commonwealth revenues

	2016 \$'000	2015 \$'000
Grants		
National Partnership Agreement on Skills Reform	27,419	32,020
Tradestart	347	264
Auslamp: Magnetotelluric Survey of the Western / Centre Gawler Craton	290	-
Validation of a National Skills Professional Standards Framework	220	-
Supplier Access to Major Projects Program - Domain Specialist - Water	149	114
Municipal and Essential Services - Murputja and Watarru Power Station Fuel Contribution	110	181
National Energy Efficiency Buildings	67	278
Remote Indigenous Public Internet Access	57	155
Greenhouse and Energy Minimum Standards (GEMS) Inspections	21	-
Anangu Pitjantjatjara Yankunytjatjara (APY) Lands Regional Procurement Strategy	20	7
Street Lighting Energy Efficiency Program	8	16
TAFE Fee Waivers for Childcare Qualifications	-	1,841
Joint Group Training Program	-	919
Community Education Partnerships - Artists in Residence Initiative 2015	-	250
Total Commonwealth revenues	28,708	36,045

All Commonwealth funding received for the above listed programs was spent during the 2015-16 financial year, with the exception of the Validation of a National Skills Professional Standards Framework \$0.220 million.

2015-16 Commitments

Commonwealth revenue of \$0.220 million was received for the Validation of a National Skills Professional Standards Framework. This entire amount was not spent and a carry-over will be sought to fund 2016-17 commitments.

16 Interest and investment revenues

	2016 \$'000	2015 \$'000
Interest revenues	20	23
Dividends received	375	405
Total interest and investment revenues	395	428

17 Resources received free of charge

	2016 \$'000	2015 \$'000
Donated assets	182	1,021
Total resources received free of charge	182	1,021

Department of State Development
Notes to and forming part of the financial statements

18 Net gain / loss from the disposal of non-current assets

	2016 \$'000	2015 \$'000
Land and buildings		
Proceeds from disposal	9,595	16,019
Less: net book value of assets disposed	(18,201)	(17,361)
Total land and buildings	(8,606)	(1,342)
Plant and equipment:		
Proceeds from disposal	17	16
Less: net book value of assets disposed	(8)	(330)
Total plant and equipment	9	(314)
Total net loss from disposal of non-current assets	(8,597)	(1,656)

The net loss on disposal in 2016 and 2015 predominantly relates to the sale of land and buildings deemed surplus to requirements following the establishment of the new Sustainable Industries Education Centre at Tonsley. Net losses on disposal occur due to the time between the valuation of assets and the sale or disposal.

19 Other revenues

	2016 \$'000	2015 \$'000
Fuel tax credits	2,308	1,487
Support for the regulation of Extractive Mining Operations	391	558
Sponsorship revenues	2,418	1,511
Recoveries	7,845	7,766
Community Development Fund	1,250	1,250
Other revenues	1,632	1,947
Total other revenues	15,844	14,519

20 Revenues from / Payments to SA Government

	2016 \$'000	2015 \$'000
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	634,186	627,978
Appropriations from the Governor's Appropriation Fund pursuant to the <i>Public Finance and Audit Act</i>	-	36,360
Appropriations under other Acts	5,018	16,325
Accrual Appropriation	2,076	6,057
Total revenues from SA Government	641,280	686,720
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy	-	6,379
Payments to consolidated account for sale of property	7,873	8,482
Total payments to SA Government	7,873	14,861

Total revenue from Government consists of \$609.329 million (\$633.925 million) for operational funding and \$24.857 million (\$30.413 million) for capital projects.

Department of State Development

Notes to and forming part of the financial statements

In addition, an advance of \$5.018 million (\$16.325 million) was received pursuant to Treasurer's contingency. Contingency appropriation in 2015-16 included \$3.411 million for TAFE SA TVSP reimbursement, \$1.265 million for co-location of Office of Small Business Commissioner and Office of Industry Advocate. The remaining \$0.342 million related to salary supplementation during 2015-16.

Payments were made to SA Government in relation to the sale of property for the sustainable infrastructure projects.

21 Cash and cash equivalents

	2016 \$'000	2015 \$'000
Deposits with the Treasurer – Operating Account	99,417	161,982
Deposits with the Treasurer – Accrual Appropriation	7,611	10,034
Deposits at call - overseas offices	84	205
Other	3	4
Total cash and cash equivalents	107,115	172,225

Deposits with Treasurer – Operating Account

Includes cash securities held for mining and petroleum remediation in accordance with the *Mining Act 1971* and the *Petroleum and Geothermal Energy Act 2000* of \$5.387 million (\$4.407 million). The department only has claims to these funds if the licensee fails to perform its legislative requirements (refer note 31).

Deposits with Treasurer – Accrual Appropriation

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

Interest rate risk

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer earn a floating interest rate, based on daily bank deposit rates. The carrying amount of cash represents nominal value.

22 Receivables

	2016 \$'000	2015 \$'000
Current		
Receivables	5,952	10,416
Allowance for doubtful debts	(2,258)	(1,855)
GST input tax recoverable	3,706	3,667
Prepayments	678	473
Accrued revenue	2,028	19,176
Other receivables	107	168
Total current receivables	10,213	32,045
Total receivables	10,213	32,045

The \$17.1 million reduction in accrued revenue is due primarily to amounts owing at 30 June 2015 from TAFE SA in relation to Skills for All payments (\$12.9 million), recovery of ICT contract payments (\$3.2 million) and cost recovery for Business Intelligence Program and Student Information System Revitalisation Program (\$2.1 million).

Department of State Development

Notes to and forming part of the financial statements

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment losses) 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 \$'000	2015 \$'000
Movements in the allowance for doubtful debts (impairment loss):		
Carrying amount at the beginning of the period	(1,855)	(1,312)
Decrease in allowance due to restructure activities	-	(104)
Increase in the allowance	(403)	(476)
Amounts written off	-	37
Carrying amount at the end of the period	(2,258)	(1,855)

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables and accrued revenues are non-interest bearing.

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

a. **Maturity analysis of receivables** - refer to table in Note 42.

b. **Categorisation of financial instruments and risk exposure information** - refer to Note 42.

23 Non-current assets classified as held for sale

	2016 \$'000	2015 \$'000
Land and buildings	16,191	30,011
Total non-current assets classified as held for sale	16,191	30,011

Valuation of Assets Held for Sale

Properties classified as held for sale were valued in accordance with the principles outlined in the note 2(o).

	2016 \$'000	2015 \$'000
Movements in the non-current assets classified as held for sale:		
Carrying amount at the beginning of the financial year	30,011	7,500
Net assets transferred as a result of an administrative restructure	-	41,090
Assets reclassified to assets held for sale	4,465	1,472
Disposals / transfers	(18,209)	(17,361)
Assets written down to fair value	(76)	(2,690)
Carrying amount at the end of the financial year	16,191	30,011

Non-current assets relating to TAFE SA that will be transferred to Renewal SA (refer note 39) have not been disclosed as non-current assets held for sale because at the time of reporting, a reliable sale price has not been established. These assets are currently included in Property, Plant and Equipment (note 24).

Department of State Development
Notes to and forming part of the financial statements

24 Property, plant and equipment

	2016 \$'000	2015 \$'000
Plant and equipment		
Plant and equipment at cost (deemed fair value)	7,123	7,289
Plant and equipment at fair value	9,554	10,391
Accumulated depreciation	(6,648)	(5,617)
Total plant and equipment	10,029	12,063
Building and leasehold improvements		
Buildings and leasehold improvements at fair value	807,659	786,502
Accumulated depreciation	(53,789)	(26,755)
Total buildings and leasehold improvements	753,870	759,747
Land		
Land at fair value	168,981	172,226
Total land	168,981	172,226
Works of art		
Works of art at fair value	5,271	5,240
Total works of art	5,271	5,240
Capital works in progress		
Works in progress at cost	5,880	12,612
Total capital works in progress	5,880	12,612
Total property, plant and equipment	944,031	961,888

Valuation of works of art

The valuation of works of art for the former DMITRE only, was performed by Theodore Bruce, an independent valuer, as at 9 May 2013. The valuer arrived at fair value based on recent market transaction for similar items.

The value of assets transferred on restructure are held at fair value based on the book value recorded by the transferor agency immediately prior to the transfer.

Valuation of land and buildings

The valuation of land and buildings for the former DMITRE only, was performed by an independent Certified Practicing Valuer from Liquid Pacific Pty Ltd, as at 30 June 2014.

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

The valuer used depreciated replacement cost for specialised buildings, due to there not being an active market for such buildings. The depreciated replacement cost considered the need for ongoing provision of government services; specialised nature of the assets, including the restricted use of assets; 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 value of assets transferred on restructure are held at fair value based on the book value recorded by the transferor agency immediately prior to the transfer.

**Department of State Development
Notes to and forming part of the financial statements**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT

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

	Plant and equipment \$'000	Building and leasehold improvements \$'000	Land \$'000	Works of art \$'000	Capital works in progress \$'000	Total \$'000
Carrying amount at the beginning of the financial year	12,063	759,747	172,226	5,240	12,612	961,888
Additions	219	880	-	31	20,814	21,944
Capitalisation	1,188	26,358	-	-	(27,546)	-
Revaluation decrement	-	(3,321)	-	-	-	(3,321)
Asset derecognition	(1,363)	(1,692)	-	-	-	(3,055)
Depreciation and amortisation	(2,175)	(27,126)	-	-	-	(29,301)
Net assets transferred as a result of an administrative restructure	-	159	-	-	-	159
Assets received free of charge	182	-	-	-	-	182
Assets reclassified to assets held for sale	(85)	(1,135)	(3,245)	-	-	(4,465)
Carrying amount at the end of the financial year	10,029	753,870	168,981	5,271	5,880	944,031

Department of State Development **Notes to and forming part of the financial statements**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT ASSETS

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

	Plant and equipment \$'000	Building and leasehold improvements \$'000	Land \$'000	Works of art \$'000	Capital works in progress \$'000	Total \$'000
Carrying amount at the beginning of the financial year	11,627	8,291	2,562	105	1,796	24,381
Additions	374	43	8,654	4	20,537	29,612
Capitalisation	-	30,135	-	-	(30,135)	-
Disposals	(330)	-	-	-	-	(330)
Donated Assets	(1,336)	-	-	-	(262)	(1,598)
Revaluation increment	-	-	430	-	-	430
Depreciation and amortisation	(2,849)	(26,755)	-	-	-	(29,604)
Asset derecognition	-	(599)	-	-	-	(599)
Net assets transferred as a result of an administrative restructure	4,563	748,605	161,072	5,131	20,676	940,047
Assets received free of charge	14	419	588	-	-	1,021
Assets reclassified to assets held for sale	-	(392)	(1,080)	-	-	(1,472)
Carrying amount at the end of the financial year	12,063	759,747	172,226	5,240	12,612	961,888

Department of State Development
Notes to and forming part of the financial statements

25 Intangible assets

	2016 \$'000	2015 \$'000
Internally developed computer software	18,044	16,308
Accumulated amortisation	(5,007)	(3,418)
Other computer software	1,548	1,792
Other accumulated amortisation	(1,405)	(1,392)
Intangibles works in progress	3,687	1,070
Total intangible assets	16,867	14,360

The department has no contractual commitments for the acquisition of intangible assets.

Impairment

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

RECONCILIATION OF INTANGIBLE ASSETS

The following table shows the movement of intangible assets during 2015-16

	Intangibles / Software \$'000	Intangibles works in progress \$'000	Total \$'000
Carrying amount at the beginning of the financial year	13,290	1,070	14,360
Additions	-	4,473	4,473
Capitalisation	1,856	(1,856)	-
Depreciation and amortisation	(1,966)	-	(1,966)
Carrying amount at the end of the financial year	13,180	3,687	16,867

The following table shows the movement of intangible assets during 2014-15

	Intangibles / Software \$'000	Intangibles works in progress \$'000	Total \$'000
Carrying amount at the beginning of the financial year	707	-	707
Additions	-	3,034	3,034
Capitalisation	2,749	(2,749)	-
Transfers	-	(148)	(148)
Depreciation and amortisation	(2,063)	-	(2,063)
Net assets transferred as a result of an administrative restructure	11,897	933	12,830
Carrying amount at the end of the financial year	13,290	1,070	14,360

Department of State Development
Notes to and forming part of the financial statements

26 Investments

	2016 \$'000	2015 \$'000
Contributed capital in subsidiary company	400	400
Share of retained profit	100%	100%
Retained profits attributable to subsidiary company:		
Balance at 1 July	6,484	6,103
Change in financial assets available for sale revaluation surplus	466	381
Total investments as at 30 June	6,950	6,484

Scope Global Pty Ltd

Scope Global Pty Ltd, which has a reporting date of 30 June, is controlled by the Minister for Investment and Trade. Its principal activity is to secure international contracts for work in vocational education and training.

The current investment value is an estimate of fair value and is based on unaudited financial statements as at 30 June 2016.

27 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.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2016.

The department had no valuations categorised into level 1.

Fair value measurements at 30 June 2016

	Note	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Land	24	158,263	10,718	168,981
Plant and equipment	24	-	10,029	10,029
Buildings and leasehold improvements	24	2,092	751,778	753,870
Works of art	24	5,083	188	5,271
Total recurring fair value measurements		165,438	772,713	938,151
Non-recurring fair value measurements				
Land and buildings held for sale	23	16,191	-	16,191
Total non-recurring fair value measurements		16,191	-	16,191
Total fair value measurements		181,629	772,713	954,342

Department of State Development
Notes to and forming part of the financial statements

Fair value measurements at 30 June 2015

	Note	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Land	24	161,508	10,718	172,226
Plant and equipment	24	-	12,063	12,063
Buildings and leasehold improvements	24	2,297	757,450	759,747
Works of art	24	5,083	157	5,240
Total recurring fair value measurements		168,888	780,388	949,276
Non-recurring fair value measurements				
Land and buildings held for sale	23	30,011	-	30,011
Total non-recurring fair value measurements		30,011	-	30,011
Total fair value measurements		198,899	780,388	979,287

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2016. The department'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

Valuation techniques used to derive level 2 and 3 fair values are at note 25 and 27. There were no changes in valuation techniques during 2016.

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

Department of State Development
Notes to and forming part of the financial statements

Reconciliation of fair value measurements – Level 3

	Plant and equipment \$'000	Buildings and leasehold improvements \$'000	Land \$'000	Works of art \$'000	Total \$'000
Opening balance at 1 July 2015	12,063	757,450	10,718	157	780,388
Acquisitions	219	880	-	25	1,124
Capitalised subsequent expenditure	1,188	26,358	-	6	27,552
Asset write down	(1,363)	(1,692)	-	-	(3,055)
Acquisitions through administrative restructure	-	159	-	-	159
Assets received free of charge	182	-	-	-	182
Revaluation decrement	-	(3,321)	-	-	(3,321)
Transfer out of level 3	(85)	(969)	-	-	(1,054)
Closing balance at 30 June 2016	12,204	778,865	10,718	188	801,975
Gains / (losses) for the period recognised in net result:					
Depreciation and amortisation	(2,175)	(27,087)	-	-	(29,262)
	(2,175)	(27,087)	-	-	(29,262)
Carrying amount at 30 June 2016	10,029	751,778	10,718	188	772,713

The impact on 2015-16 net result was the depreciation and amortisation expense as disclosed.

28 Payables

	2016 \$'000	2015 \$'000
Current		
Creditors and accrued expenses	24,351	119,434
Employee on-costs	2,485	2,598
Total current payables	26,836	122,032
Non-Current		
Employee on-costs	2,378	2,121
Total non-current payables	2,378	2,121
Total payables	29,214	124,153

The \$94.9 million reduction in payables is predominantly due to large accrued expenses processed at the end of 2015 including Skills for All Training Fund expenses (approximately \$66 million); State Drill Core Reference Library (\$7 million); and other capital accruals (\$4.9 million).

Department of State Development

Notes to and forming part of the financial statements

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 increased to 40% from the 2015 rate of 37% and the average factor for the calculation of employer superannuation cost on-cost has changed from 10.3% in 2015 to 10.2%. These rates are used in the employment on-cost calculation. The change results in an increase of \$0.070 million on the employee on-costs. The impact on 2017 and future years cannot be reliably estimated.

Interest rate and credit risk

Creditors and accruals are raised for all amounts due but unpaid. Sundry creditors are normally settled within 30 days.

Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

29 Employee benefits

	2016 \$'000	2015 \$'000
Current		
Accrued salaries and wages	1,276	666
Annual leave	7,709	7,718
Long service leave	1,498	1,536
Skills and experience retention leave	392	607
Total current employee benefits	10,875	10,527
Non-current		
Long service leave	25,610	23,535
Skills and experience retention leave	288	209
Total non-current employee benefits	25,898	23,744
Total employee benefits	36,773	34,271

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 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 long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2015 (3.00%) to 2016 (2.00%). 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 \$1.668 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 the salary inflation rate at 3% for annual leave and skills, experience and retention leave liability.

Department of State Development
Notes to and forming part of the financial statements

30 Provisions

	2016	2015
	\$'000	\$'000
Current		
Provision for workers compensation	395	314
Total current provisions	395	314
Non-current		
Provision for workers compensation	3,500	953
Total non-current provisions	3,500	953
Total provisions	3,895	1,267
Carrying amount at the beginning of the period	1,267	600
Additional provisions recognised as a result of restructure activities	-	1,097
Increase / (decrease) in provisions recognised	2,745	(123)
Reductions resulting from payments	(117)	(307)
Carrying amount at 30 June	3,895	1,267

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 of the Public Sector.

Workers compensation has increased primarily due to a change in the treatment of Seriously Injured Claims in the actuarial valuation. The methodology used in previous years allocated the liability of Seriously Injured Claims across agencies. In 2016 the liability for Seriously Injured Claims has been allocated to the agencies that hold these claims. An employee was injured in the workplace in 2012 which resulted in a greater than 30% body impairment which requires the department to provide income maintenance for the normal working life of the employee.

31 Other liabilities

	2016	2015
	\$'000	\$'000
Current		
Lease incentive	349	240
Security deposits	5,392	4,407
Unearned revenue	1,687	1,879
Total current other liabilities	7,428	6,526
Non-current		
Lease incentive	2,927	2,156
Accumulated amortisation - lease incentive	(1,614)	(1,338)
Total non-current other liabilities	1,313	818
Total other liabilities	8,741	7,344

Lease incentive received from the building owner applied as a contribution towards fit-out costs (as per agreement) and amortised over the period of the lease (10 years), commencing December 2009.

Security deposits are received to ensure mine operators rehabilitate sites and comply with all statutory requirements on cessation of mining operations. Cash deposits are classified as security deposits. The value of securities held in the form of bank guarantees are reflected as a contingent asset (refer note 34) as the department only has a claim on these funds if the mining operator fails to meet its legislative requirements.

Department of State Development

Notes to and forming part of the financial statements

Unearned revenue mainly includes payments of rent and annual regulatory fees received for the first year of a mining tenement (exploration licence, mining lease, miscellaneous purposes licence, retention lease are all mining tenements in accordance with the *Mining Act 1971*). This revenue is held as unearned revenue until the Minister officially approves the grant of the mining tenement.

Annual rent and regulatory fees are also held as unearned revenue at the renewal of a mining tenement. Once a renewal decision has been made and a memorial has been instrumented in the Mining Register the revenue is then recognised as revenue. Annual rent for mining leases, retention leases and miscellaneous purposes licences which are granted or renewed over freehold land is refunded at this point to the relevant freehold landowners.

32 Equity

	2016 \$'000	2015 \$'000
Retained earnings	1,003,992	1,029,846
Financial assets available for sale revaluation surplus	4,346	3,880
Revaluation surplus	2,668	5,989
Contributed capital	11,738	10,263
Carrying amount at 30 June	1,022,744	1,049,978

33 Unrecognised contractual commitments

Capital commitments

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

	2016 \$'000	2015 \$'000
Within one year	6,202	15,551
Later than one year but not later than five years	1,271	-
Total capital commitments	7,473	15,551

Capital commitments at 30 June 2016 mainly relate to the Adelaide Festival Centre precinct project.

Capital commitments at 30 June 2015 relate to the State Drill Core Reference Library.

Other commitments

Commitments for the payment of other contracts and grant agreements in existence at the reporting date but not recognised as liabilities are payable as follows:

	2016 \$'000	2015 \$'000
Within one year	54,751	50,886
Later than one year but not later than five years	117,935	118,203
Later than five years	-	320
Total other commitments	172,686	169,409

Amounts disclosed include commitments arising from agreements with contractors, consultants, ICT contracts and grant recipients.

Department of State Development

Notes to and forming part of the financial statements

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
<i>Department as lessee:</i>		
Within one year	10,824	13,096
Later than one year but not later than five years	12,154	19,093
Later than five years	2,756	-
Total operating lease commitments	25,734	32,189
<i>Representing:</i>		
Cancellable operating leases	1,224	3,417
Non-cancellable operating leases	24,510	28,772
Total operating lease commitments	25,734	32,189

The department's operating leases relate to office accommodation and motor vehicles. Office accommodation is leased from the Department of Planning, Transport and Infrastructure - Building Management Accommodation and Property Services. The leases are non-cancellable with terms ranging up to ten years with some leases having the right of renewal. Motor vehicles are leased from SAFA through their agent LeasePlan Australia with lease periods of up to three years.

	2016 \$'000	2015 \$'000
<i>Department as lessor:</i>		
Within one year	5,973	5,786
Later than one year but not later than five years	25,257	24,628
Later than five years	50,652	57,191
Total operating lease commitments	81,882	87,605
<i>Representing:</i>		
Non-cancellable operating leases	81,882	87,605
Total operating lease commitments	81,882	87,605

The department's lease as lessor relates to the Adelaide Festival Centre and Her Majesty's Theatre leased to the Adelaide Festival Centre Trust. The lease is non-cancellable for 20 years with the right of renewal.

34 Contingent assets and liabilities

Contingent assets

Where specific conditions relating to a financial assistance grant are not met, the department may request the amount granted be repaid by the grantee. There are no known contingent assets arising from these present obligations as at 30 June 2016.

The department receives securities in accordance with Acts administered by the department for mining and petroleum. These are obtained to ensure that a mine operator rehabilitates a site and complies with all statutory requirements on cessation of a licence. The amount held as bank guarantees at 30 June 2016 is approximately \$125 million (\$127 million). The department only has a claim on these funds if the licensee fails to perform its legislative requirements.

Department of State Development

Notes to and forming part of the financial statements

Contingent liabilities

Guarantees and Indemnities

The nature of activities that the department is involved in can create potential exposure to mining matters, which the department may be required to remedy in the future. The department has some potential outstanding litigation specifically resulting from interpretation of past mining practices and petroleum exploration.

Certain matters associated with contaminants such as contaminated land and hazardous materials have been identified and are managed in accordance with recognised standards. This includes the environmental liabilities of past mining practices where there is no longer an active licence. For new activities, it is a lease condition that rehabilitation be undertaken by the leaseholder before a lease is surrendered. The department's responsibility is to ensure that a lease is not surrendered before appropriate rehabilitation has occurred, thus minimising the likelihood of future environmental risks to government. At this time, the financial impact, if any, cannot be reliably estimated.

The Minister for Investment and Trade has provided a \$3.0 million guarantee to Scope Global Pty Ltd which has not been invoked as at 30 June 2016.

The Minister for Higher Education and Skills has entered an agreement to provide Le Cordon Bleu with a 10 year interest free loan of \$7.0 million conditional upon Le Cordon Bleu entering into a building contract for the development of Le Cordon Bleu's city training facility.

35 Transferred functions

Transferred in

Under the *Public Sector (Reorganisation of Public Sector Operations) Notice 2015*, from 1 July 2015 the Office of the Industry Advocate was transferred from Department of the Premier and Cabinet to the Department of State Development. This included nine employees and budget funding of \$1.227 million.

The effective date of the transfer was 1 July 2015.

On transfer of the Office of the Industry Advocate, the Department of State Development recognised the following assets and liabilities:

	Total \$'000
Assets	
Receivables	4
Property, plant and equipment	159
Total Assets	163
Liabilities	
Payables	36
Provisions	1
Employee benefits	330
Total liabilities	367
Total net assets transferred	(204)

Transferred out

Under the *Public Sector (Investment Attraction South Australia) Proclamation 2016*, from 1 April 2016 resources from Invest in SA, International Engagement, Industry and Innovation, Office of the Economic Development Board and the Office of Science, Technology and Research transferred to establish Investment Attraction South Australia.

Department of State Development

Notes to and forming part of the financial statements

The effective date of the transfer is 1 April 2016.

Under section 9 of the *Public Sector Act 2009*, from 4 April 2016, the Greater Europe project transferred to Defence SA to continue delivery of the State's Aerospace Strategy and present research regarding the University sector / research and development / investment.

The effective date of transfer is 4 April 2016.

The following assets and liabilities were transferred to Investment Attraction South Australia (IASA) and Defence SA.

	Defence SA \$'000	IASA \$'000	Total \$'000
Liabilities			
Payables	8	95	103
Employee benefits	62	822	884
Total liabilities	70	917	987
Total net assets transferred	(70)	(917)	(987)

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

36 Remuneration of board and committee members

* 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. In addition, members of Parliament who are members of boards or committees did not receive any remuneration.

^ Indicates a member entitled to remuneration but has elected not to receive payment.

Peer assessment is integral to Arts South Australia's grants and funding processes. As a result of the Boards and Committees Reform review recommendations, the Chairs of these peer review panels are appointed for fixed terms and peer assessors are co-opted on an as needs basis.

Aboriginal and Torres Strait Islander Development Program Peer Assessment Panel[#]

M Blackman (expired December 2015)	P Herzich* (expired December 2015)
F Blanch (expired December 2015)	S Meagher* (Chair – expired December 2015)
A Cobby-Eckermann (expired December 2015)	H Shearer (expired December 2015)
M Collard (expired December 2015)	

This panel has no members appointed as at 30 June 2016.

Department of State Development

Notes to and forming part of the financial statements

Art for Public Places Committee

S Lauren (appointed September 2015)

F Mantelli (appointed September 2015)

T Marijana (Chair - appointed September 2015)

Audit and Risk Management Committee

C Dunsford (Chair)

G Giannopoulos*

P Heithersay*

W Einarson

J Hill

A Reid*

Community Arts Peer Assessment Panel[#]

T C Hopprich (retired July 2015)

M Rankin

J Pike (Chair - expired December 2015)

K E Annear (appointed July 2015)

K J Lazaroff (appointed August 2015)

J T Pierce (expired December 2015)

O E Allen (expired December 2015)

S J Noonan (appointed August 2015)

C M Kenneally (appointed July 2015)

V M Sowry (appointed July 2015)

Contemporary Music Peer Assessment Panel[#]

T T Boakes (expired February 2016)

L D Godson (expired February 2016)

D H Rankine (expired February 2016)

The panel has no members appointed as at 30 June 2016.

Disability Arts Peer Assessment Panel[#]

L Beasley

T Doyle

C Harris

S Lush*

K Martinsen

C Pickering (Chair)

Economic Development Board

R J Spencer (Chair)

R I Chapman (Deputy Chair)

T Burgess

D W Garrard

L Jacobs

R G Kerin

D G Lloyd

T M Monro

B A Pocock

L C Read

N G Roos

D E Russell*

D S Thomas

Department of State Development

Notes to and forming part of the financial statements

Electricity Act 1996 Assessors Panel

The panel has no members appointed as at 30 June 2016 and is currently under review.

Electrical Technical Advisory Committee

This committee merged with the Gas Technical Advisory Committee to form the Technical Advisory Committee.

Extractive Areas Rehabilitation Fund Project Assessment Panel

This panel had no members as at 30 June 2016 and is due to be reformed following a review.

Gas Act 1997 Assessors Panel

The panel has no members appointed as at 30 June 2016 and is currently under review.

Gas Technical Advisory Committee

This committee merged with the Electrical Technical Advisory Committee to form the Technical Advisory Committee.

Health Industries South Australia Advisory Board

C M Butcher (Chair)	R J Spencer
N S Brooksby	J Weatherill*
W M Castell (resigned December 2015)	S L Wesselingh
S Solomon	B Hewitt* (resigned May 2016)
T J Soon	D E Russell*
J M White	J J Snelling*

Investment Attraction Advisory Board

R Chapman (Chair – appointed July 2015)	G Raby (appointed March 2016)
J Griggs (appointed March 2016)	D Reynolds* (appointed March 2016)
W Muirhead* (appointed March 2016)	N Rowe (appointed March 2016)
J Nason (appointed March 2016)	

The board transferred to Investment Attraction South Australia from 1 April 2016.

Literature Peer Assessment Panel[#]

A Solding (expired March 2016)	R E Starke (expired March 2016)
C A Lefevre (Chair - expired March 2016)	S N Franzway (expired March 2016)
J Owen (expired March 2016)	

The panel has no members appointed as at 30 June 2016.

Department of State Development

Notes to and forming part of the financial statements

Minerals and Energy Advisory Council

J Anderson (appointed July 2015)	J Kuchel [^] (appointed July 2015)
K Yates (Chair – appointed June 2015)	P Holloway (reappointed July 2015)
D Carter (reappointed July 2015)	A Marsland-Smith [^] (appointed July 2015)
A Cole [^] (appointed July 2015)	G McKenzie (reappointed July 2015)
D Cruickshanks-Boyd (appointed July 2015)	J McGill [^] (appointed July 2015)
I Gould (reappointed July 2015)	A McCleary (reappointed July 2015)
G Guglielmo (reappointed July 2015)	J Roberts (reappointed July 2015)
P Carr (Deputy Chair – reappointed July 2015)	B Woods [^] (appointed October 2015)
K Presser [^] (appointed July 2015)	M Reed [^] (appointed July 2015)

Organisations Assessment Panel[#]

A C Beare (Chair – expired December 2015)	B L MacQueen
J S Covernton	R Myers (expired December 2015)
R J Hervey (expired December 2015)	C Reid (expired December 2015)
J Pierce	

Performing Arts Peer Assessment Panel[#]

C N Anderson (Chair – expired March 2016)	M D Gray (expired March 2016)
C Wellman Kelly (expired March 2016)	P J Sheedy* (expired March 2016)
C N Williams (expired March 2016)	T Booth-Remmers (expired March 2016)
D P Vacirca (expired March 2016)	T M Crawford* (expired March 2016)
H Kleinig (expired March 2016)	

The panel has no members appointed as at 30 June 2016.

Resources Infrastructure Taskforce Steering Committee

B J Carter [^] (Chair)	D Hogben* (appointed March 2016)
P Heithersay*	D E Thomas
D Garrard	T Guglielmo

Roxby Downs Advisory Reference Group

W Cossey (Chair – expired September 2015)	N Jones [^] (expired September 2015)
M Gall* (expired September 2015)	P Holloway [^] (expired September 2015)
P Heithersay* (expired September 2015)	

The reference group has no members appointed as at 30 June 2016 and is currently under review.

Department of State Development

Notes to and forming part of the financial statements

State Aboriginal Heritage Committee

S R Sparrow	H L Richards (expired June 2016)
L Wright (expired June 2016)	K M Richards (expired June 2016)
Q L Agius	H F Smith
Y D Agius	A C Stuart (expired June 2016)
R H Campbell	V G Sumner
M A Koolmatrie (appointed June 2016)	P Miller (appointed June 2016)
K Thompson (appointed June 2016)	G Wingfield (appointed June 2016)

South Australian Aboriginal Advisory Council

S Williams (Chair)	T Lloyd*
C Rigney (Deputy Chair – expired May 2016)	T L Ritchie*
S Blake* (expired May 2016)	M-R Hopkins*
R King* (expired May 2016)	S Waters (expired May 2016)
T Larkin (expired May 2016)	M B Enalanga (Deputy Chair - appointed June 2016)
J Bayliss* (appointed June 2016)	W Miller (appointed June 2016)
R O Callaghan (appointed June 2016)	A B Shannon (appointed June 2016)
G M Coulthard* (appointed June 2016)	

South Australian Science Council

D Evans	G Fincher
C Plewa	L Read (Chair)
M Verma	K Reynolds
K Scott	M Westwell

Technical Advisory Committee (Electrical and Gas)

A Baehnisch*	R Mignone^
A Clarke^	L Moore^
J Corbett*	S O'Loughlin^
G Cox*	T Stantinon*
R Donnelly^	R Struve*
R Faunt* (Chair)	A Szacinski*
J Gater^	T V Tran^
B Jackson^	T Tucker*
G Michael^	D Buchanan^
T Sika*	

Department of State Development

Notes to and forming part of the financial statements

Tonsley Precinct Steering Committee

T Burgess (Chair)	C Stirling^
D Russell*	A Skull^ (appointed August 2015)
J Hanlon*	G Whitbread^ (resigned August 2015)
R Murt*	J Schnieder^

Training and Skills Commission

A L Smith (reappointed December 2015)	L A Palmer
A Kittel (Chair)	D A Black (Deputy Member)
S K Myatt	J D Buchanan (Deputy Member)
K Heneker	I W Curry (Deputy Member)
J Newlyn	L Inglis (Deputy Member – resigned January 2016)
A L Nieuwenhuis	L M Maynard (Deputy Member – appointed March 2016)
R Bonner (appointed December 2015)	K A Thornton* (Deputy Member - appointed December 2015)
M A O'Leary (Deputy Chair – reappointed December 2015)	

Training and Skills Development Act 2008 Assessor Panel

The function of the panel has transferred to the Industrial Relations Commission of South Australia, which forms part of the Attorney-General's Department.

Visual Arts, Craft and Design Peer Assessment Panel[#]

C De Rosa (expired March 2016)	L Slade* (Chair – expired March 2016)
C G Belfrage (expired March 2016)	M F Nikou (expired March 2016)
C J Taylor (expired March 2016)	P Kruger (expired March 2016)
C R Orchard (expired March 2016)	S Humphreys (expired March 2016)
J A Clutterbuck (expired March 2016)	

The panel has no members appointed as at 30 June 2016.

Department of State Development
Notes to and forming part of the financial statements

Remuneration of board members

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

	2016 Number	2015 Number
\$1 - \$9 999	78	117
\$10 000 - \$19 999	6	2
\$20 000 - \$29 999	2	4
\$30 000 - \$39 999	7	8
\$40 000 - \$49 999	8	3
\$50 000 - \$59 999	1	6
\$60 000 - \$69 999	1	1
\$80 000 - \$89 999	-	1
\$100 000 - \$109 999	-	1
\$130 000 - \$139 999	2	-
\$140 000 - \$149 999	-	1
\$150 000 - \$159 999	1	-
Total number of members	106	144

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 \$1.364 million (\$1.396 million).

Unless otherwise disclosed, transactions with 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.

For the purpose of this table, the travel allowance paid to members has not been included as remuneration as it is considered to be a reimbursement of direct out-of-pocket expenses incurred by the relevant members.

Department of State Development
Notes to and forming part of the financial statements

37 Cash flow reconciliations

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

	2016 \$'000	2015 \$'000
Reconciliation of cash and cash equivalents at 30 June		
Cash and cash equivalents disclosed in the Statement of Financial Position	107,115	172,225
Balance as per the Statement of Cash Flows	107,115	172,225
Reconciliation of net cash (used in) provided by operating activities to net cost of providing services:		
Net cash (used in) provided by operating activities	(40,853)	97,807
Less revenues from SA Government	(641,280)	(686,720)
Add payments to SA Government	7,873	14,861
Add / (less) non-cash items:		
Depreciation and amortisation expense of non-current assets	(31,267)	(31,667)
Amortisation of lease incentive	276	240
Asset derecognition	(3,055)	(2,690)
Doubtful debts expense	(403)	(479)
Resources received free of charge	182	1,021
Asset revaluation	(76)	-
Donated assets	-	(2,197)
Transfer in for administrative restructure	363	54,174
Transfer out for administrative restructure	(987)	(1,720)
Loss from disposal and write down of non-current assets	(8,597)	(1,656)
(Decrease) increase in receivables	(21,429)	27,848
Decrease in other assets	-	(15)
Decrease (increase) in payables	85,132	(101,261)
(Increase) decrease in other liabilities	(793)	884
Increase in provisions	(2,628)	(667)
Increase in employee benefits	(2,502)	(17,934)
Net cost of providing services	(660,044)	(650,171)

Department of State Development

Notes to and forming part of the financial statements

38 Trust funds

Extractive Areas Rehabilitation Fund

The Extractive Areas Rehabilitation Fund is credited with amounts by way of royalty on extractive minerals and is used for the rehabilitation of land disturbed by extractive mining operations. The funds collected are used to limit damage to any aspect of the environment by such extractive mining operations in addition to the promotion of research into methods of mining engineering and practice by which environmental damage might be reduced.

Aggregate details of the transactions and balances relating to this trust fund to year ended 30 June are as follows:

	2016 \$'000	2015 \$'000
Operations:		
Revenue	2,780	2,415
Expenditure	710	1,702
Net operating surplus	2,070	713
Assets:		
Cash at bank	21,841	19,799
Receivables	-	8
Total assets	21,841	19,807
Liabilities:		
Liabilities	7	43
Total liabilities	7	43
Net assets	21,834	19,764
Funds:		
Balance of funds at beginning of period	19,764	19,051
Net receipts	2,070	713
Fund balance at 30 June	21,834	19,764
Commitments in place at 30 June	638	670

39 Events after the reporting period

As detailed within the 2016-17 State Budget Papers, the ownership of key TAFE SA properties will soon transfer from the department to Renewal SA.

An independent valuation of these properties is planned for completion in September 2016. The valuation will guide sales price negotiations and associated agreements between the department and Renewal SA. The department has not disclosed these assets as non-current assets held for sale because at the time of reporting, a reliable sale price has not been established.

Department of State Development
Notes to and forming part of the financial statements

40 Transactions with SA Government

	Note	SA Government		Non-SA Government		Total	
		2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses							
Employee benefits	5	5,566	5,953	112,255	111,551	117,821	117,504
Supplies and services:	6						
Accommodation and service costs		17,060	14,343	1,857	3,887	18,917	18,230
Accounting and audit fees		377	401	4	4	381	405
Communications and information technology		1,967	3,185	5,205	8,977	7,172	12,162
Contractors		1,038	779	15,070	12,790	16,108	13,569
Consultancies		11	-	4,590	4,583	4,601	4,583
Energy supply fuel and lubricants		-	-	5,651	6,488	5,651	6,488
Lease incentive amortisation		-	-	(276)	(240)	(276)	(240)
Marketing		8	1	3,385	1,857	3,393	1,858
Office administration expenses		2,624	3,133	6,692	5,953	9,316	9,086
Overseas trade representation		-	38	648	638	648	676
Remote areas energy supplies (RAES)		-	-	1,117	1,945	1,117	1,945
Shared service fees		4,061	3,830	-	-	4,061	3,830
Staff related expenses		149	187	2,028	2,079	2,177	2,266
Travel and related expenses		1,916	1,549	3,398	3,416	5,314	4,965
Depreciation and amortisation expense	7	-	-	31,267	31,667	31,267	31,667
Grants and subsidies:	8						
Arts and Cultural		108,541	107,608	20,277	20,017	128,818	127,625
TAFE SA		234,287	232,839	-	-	234,287	232,839
Skills and Employment - VET Subsidies		228	421	52,624	79,166	52,852	79,587
Skills and Employment - Other		13,203	11,926	30,413	34,860	43,616	46,786
Resources and Energy		1,633	752	26,880	14,453	28,513	15,205
Industry and Innovation		6,192	7,999	23,184	14,299	29,376	22,298
Investment Attraction SA*		2,931	-	-	-	2,931	-
International Engagement, Immigration and Higher Education		1,850	1,659	927	5,922	2,777	7,581
Aboriginal Affairs and Reconciliation		-	148	4,775	5,193	4,775	5,341
Other		143	520	249	312	392	832
Other expenses:	9						
Asset derecognition		-	-	3,055	599	3,055	599
Bad and doubtful debts		-	-	403	479	403	479
Donated assets		-	-	-	1,598	-	1,598
Assets written down to fair value - Land and buildings held for sale		-	-	76	2,690	76	2,690
Other		282	42	-	-	282	42
Net loss from the disposal of non-current assets	18	-	13	8,597	1,643	8,597	1,656
Total expenses		404,067	397,326	364,351	376,826	768,418	774,152

* Relates to transfer of appropriation funding for Investment Attraction South Australia for 1 April to 30 June 2016.

Department of State Development
Notes to and forming part of the financial statements

		SA Government		Non-SA Government		Total	
		2016	2015	2016	2015	2016	2015
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income							
Revenues from fees and charges	12	29,074	38,211	23,026	22,964	52,100	61,175
Industry license fees	13	6,816	6,667	-	-	6,816	6,667
Sale of electricity	14	2,330	2,114	1,999	2,012	4,329	4,126
Commonwealth revenues	15	-	-	28,708	36,045	28,708	36,045
Interest and investment revenues	16	20	23	375	405	395	428
Resources received free of charge	17	60	41	122	980	182	1,021
Other revenues:	19						
Fuel tax credits		-	-	2,308	1,487	2,308	1,487
Support for the regulation of							
Extractive Mining Operations		391	558	-	-	391	558
Sponsorship revenues		145	-	2,273	1,511	2,418	1,511
Recoveries		3,391	5,415	4,454	2,351	7,845	7,766
Community Development Fund		1,250	1,250	-	-	1,250	1,250
Other		423	1,502	1,209	445	1,632	1,947
Total income		43,900	55,781	64,474	68,200	108,374	123,981
Financial assets							
Receivables:	22						
Receivables		1,632	2,259	4,320	8,157	5,952	10,416
Allowance for doubtful debts		-	-	(2,258)	(1,855)	(2,258)	(1,855)
GST input tax recoverable		-	-	3,706	3,667	3,706	3,667
Prepayments		-	-	678	473	678	473
Accrued revenue		440	19,025	1,588	151	2,028	19,176
Other		-	-	107	168	107	168
Investments	26	-	-	6,950	6,484	6,950	6,484
Total financial assets		2,072	21,284	15,091	17,245	17,163	38,529
Financial liabilities							
Payables:	28						
Creditors and accrued expenses		4,358	94,623	19,993	24,811	24,351	119,434
Employee on-costs		2,270	2,212	2,593	2,507	4,863	4,719
Other liabilities:	31						
Lease incentive		1,662	1,058	-	-	1,662	1,058
Security deposits		-	-	5,392	4,407	5,392	4,407
Unearned revenue		-	-	1,687	1,879	1,687	1,879
Total financial liabilities		8,290	97,893	29,665	33,604	37,955	131,497

Department of State Development
Notes to and forming part of the financial statements

41 Budgetary reporting and explanations of major variances between budget and actual amounts

The following are brief explanations of variances between original budget and actual budget amounts.

Explanations are provided for variances where variances exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted expenses.

	Statement	Variance	Original DSD Portfolio Budget 2016 \$'000	Adjusted for TAFE SA and Reclasses 2016 \$'000	Original DSD Budget 2016 \$'000	Actual 2016 \$'000	Variance \$'000
Statement of Comprehensive Income							
Expenses							
Employee benefits	5		311,165	(202,091)	109,074	117,821	8,747
Supplies and services	6		248,729	(174,447)	74,282	78,580	4,298
Depreciation and amortisation	7		36,354	(4,087)	32,267	31,267	(1,000)
Grants and subsidies	8		228,335	305,782	534,117	528,337	(5,780)
Net loss from disposal of non-current assets	18		46	-	46	8,597	8,551
Other	9		4,453	(4,453)	-	3,816	3,816
Total expenses			829,082	(79,296)	749,786	768,418	18,632
Income							
Fees and charges	12		127,819	(73,039)	54,780	52,100	(2,680)
Industry license fees	13		-	9,428	9,428	6,816	(2,612)
Sale of electricity	14		-	5,121	5,121	4,329	(792)
Commonwealth	15		40,450	(10,186)	30,264	28,708	(1,556)
Other grants and contributions			15,256	(15,256)	-	-	-
Interest and investment	16		-	600	600	395	(205)
Resources received free of charge	17		-	-	-	182	182
Other	19		8,438	(600)	7,838	15,844	8,006
Total income			191,963	(83,932)	108,031	108,374	343
Net cost of providing services			(637,119)	(4,636)	(641,755)	(660,044)	(18,289)
Revenues from / payments to SA Government							
Revenues from SA Government	20		649,586	-	649,586	641,280	(8,306)
Payments to SA Government	20		(2,101)	-	(2,101)	(7,873)	(5,772)
Net result			10,366	(4,636)	5,730	(26,637)	(32,367)
Other comprehensive income							
<i>Items that will not be reclassified to net result:</i>							
Changes in revaluation surplus	24		-	-	-	(3,321)	(3,321)
<i>Items that will be reclassified subsequently to net result when specific conditions are met:</i>							
Change in financial assets available for sale revaluation surplus	26		-	-	-	466	466
Total comprehensive result			10,366	(4,636)	5,730	(29,492)	(35,222)

Department of State Development

Notes to and forming part of the financial statements

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.

Explanation of major variances from budget - operating

Explanations are not provided for operating as there was no variance that exceeds 5% of the original budgeted total expenses.

		Original DSD Portfolio Budget 2016 \$'000	Adjusted for TAFE SA and Reclasses 2016 \$'000	Original DSD Budget 2016 \$'000	Actual 2016 \$'000	Variance \$'000
	Variance Ref					
Investing Expenditure Summary						
Total new projects		918	-	918	2,413	1,495
Total existing projects	(a)	57,033	(1,206)	55,827	21,047	(34,780)
Total annual programs		8,380	(2,537)	5,843	3,514	(2,329)
Total investing expenditure		66,331	(3,743)	62,588	26,974	(35,614)

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.

Explanation of major variances from budget - investing

(a) Total investing expenditure on existing projects was \$34.8 million lower than original budget primarily due to:

- Underspend of \$31.5 million which was carried over into 2016-17 relating to major construction work on the Adelaide Festival Centre Precinct project (the commencement of which was delayed while negotiations around the project were concluded);
- Underspend of \$7.3 million on the Brukunga Mine project (the majority of which has been carried over into 2016-17 or reclassified to operating), partly offset by;
- Expenditure of \$3.9 million on the State Drill Core Reference Library which was funded by an end of financial year carryover from 2014-15 which was approved in November 2015.

42 Financial risk management / Financial instruments

Financial risk management

Risk management facilitation is undertaken by the department's Strategy and Business Services Division. The department's risk management policy and procedures are drafted in accordance with the Risk Management Policy Statement issued by the Premier and Treasurer, relevant Treasurer's Instructions and the Australian Risk Management Standard (AS/NZS ISO 31000:2009).

The department is exposed to financial risk – liquidity risk, credit risk and market risk. The department's exposure to risk is insignificant based on past experience and current assessment of risk.

Department of State Development

Notes to and forming part of the financial statements

Categorisation of financial instruments

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

Refer to the table below for 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.

Liquidity risk

Liquidity risk arises where the department is unable to meet its financial obligations as they fall due. The department is funded principally from appropriation by the SA Government. The department works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution. The department's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in table below represent the department's maximum exposure to financial liabilities.

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

Department of State Development
Notes to and forming part of the financial statements

Category of financial asset and financial liability	Note	Carrying amount / Fair value \$'000	2016 Contractual maturities			
			Current \$'000	Within 1 year \$'000	1-5 years	More than 5 years \$'000
Financial assets						
Cash and cash equivalents	21	107,115	-	107,115	-	-
Loans and receivable ⁽¹⁾⁽²⁾	22	5,829	-	5,829	-	-
Investments	26	6,950	-	6,950	-	-
Total assets		119,894	-	119,894	-	-
Financial liabilities						
Financial liabilities at cost ⁽¹⁾	28	23,809	-	23,809	-	-
Total		23,809	-	23,809	-	-

Category of financial asset and financial liability	Note	Carrying amount / Fair value \$'000	2015 Contractual maturities			
			Current \$'000	Within 1 year \$'000	1-5 years	More than 5 years \$'000
Financial assets						
Cash and cash equivalents	21	172,225	-	172,225	-	-
Loans and receivable ⁽¹⁾⁽²⁾	22	28,910	-	28,910	-	-
Investments	26	6,484	-	6,484	-	-
Total assets		207,619	-	207,619	-	-
Financial liabilities						
Financial liabilities at cost ⁽¹⁾	28	118,431	-	118,431	-	-
Total		118,431	-	118,431	-	-

⁽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 etc they would be excluded from the disclosure. The standard defines contract as enforceable by law.

⁽²⁾ Receivable amount disclosed here excludes prepayments. 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.

Credit risk

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

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

Department of State Development

Notes to and forming part of the financial statements

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently the department does not hold any collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 22 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.

	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 equivalents	107,115	107,115	-	-	-	-
Loans and receivables ⁽¹⁾	5,829	208	1,053	126	2,184	2,258
Investments	6,950	6,950	-	-	-	-
2015						
Cash and cash equivalents	172,225	172,225	-	-	-	-
Loans and receivables ⁽¹⁾	28,910	24,212	569	621	1,653	1,855
Investments	6,484	6,484	-	-	-	-

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

Market risk

Market risk through interest rate or price fluctuations is immaterial.

Sensitivity disclosure analysis

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

Department of State Development
Statement of Administered Comprehensive Income
for the year ended 30 June 2016

	2016	2015
	\$'000	\$'000
Expenses		
Employee benefits	808	908
Supplies and services	357	1,131
Grants and subsidies	8,130	7,534
Payment of royalties to the Consolidated Account	207,994	237,452
Other	4,385	6,379
Total expenses	221,674	253,404
Income		
Royalties	208,035	237,460
Interest	677	821
Other	4,158	6,454
Total income	212,870	244,735
Net cost of providing services	(8,804)	(8,669)
Revenues from / payments to SA Government		
Revenues from SA Government	9,536	8,649
Net result	732	(20)
Total comprehensive result	732	(20)

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

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

Department of State Development
Statement of Administered Financial Position
as at 30 June 2016

	2016 \$'000	2015 \$'000
Current assets		
Cash	50,108	49,329
Receivables	7,354	3,834
Total current assets	57,462	53,163
Total assets	57,462	53,163
Current liabilities		
Payables	22,164	18,597
Other	3	3
Total current liabilities	22,167	18,600
Total liabilities	22,167	18,600
Net assets	35,295	34,563
Equity		
Retained earnings	35,295	34,563
Total equity	35,295	34,563

Total equity is attributable to the SA Government as owner

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

Department of State Development
Statement of Administered Changes in Equity
for the year ended 30 June 2016

	Retained Earnings	Total
	\$'000	\$'000
Balance at 30 June 2014	168	168
Net result for 2014-15	(20)	(20)
Total comprehensive result for 2014-15	(20)	(20)
Equity acquired on restructure	34,415	34,415
Balance at 30 June 2015	34,563	34,563
Net result for 2015-16	732	732
Total comprehensive result for 2015-16	732	732
Balance at 30 June 2016	35,295	35,295

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

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

Department of State Development
Statement of Administered Cash Flows
for the year ended 30 June 2016

	2016	2015
	Inflows	Inflows
	(Outflows)	(Outflows)
	\$'000	\$'000
Cash flows from operating activities		
Cash outflows		
Employee benefits	(808)	(908)
Payments for supplies and services	(1,016)	(1,627)
Payments for grants and subsidies	(8,130)	(7,534)
Payments for royalties to Consolidated Account	(203,768)	(240,652)
Other payments	(4,385)	(6,379)
Total cash outflows	(218,107)	(257,100)
Cash inflows		
Revenues from SA Government	9,536	9,725
Royalties receipts	205,123	233,629
Other receipts	4,227	8,767
Total cash inflows	218,886	252,121
Net cash provided by / (used in) operating activities	779	(4,979)
Cash flows from financing activities		
Cash inflows		
Receipts on restructure	-	36,540
Total cash inflows	-	36,540
Net cash provided by financing activities	-	36,540
Net increase in cash	779	31,561
Cash as at the beginning of the period	49,329	17,768
Cash as at 30 June	50,108	49,329

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

Department of State Development
Notes to and forming part of the financial statements

	Aboriginal Affairs and Reconciliation		Small Business Commissioner		Ministers' Salary	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Expenses						
Employee benefits	-	-	-	-	808	908
Supplies and services	346	1,056	-	-	-	-
Grants and subsidies	5,966	5,848	2,164	1,686	-	-
Payment of royalties to the Consolidated Account	-	-	-	-	-	-
Other	531	-	-	-	-	-
Total expenses	6,843	6,904	2,164	1,686	808	908
Income						
Royalties	-	-	-	-	-	-
Interest	676	821	-	-	-	-
Other	-	-	-	-	-	-
Total income	676	821	-	-	-	-
Net cost of providing services	(6,167)	(6,083)	(2,164)	(1,686)	(808)	(908)
Revenues from / payments to SA Government						
Revenues from / payments to SA Government	6,328	6,174	2,164	1,686	834	789
Net result	161	91	-	-	26	(119)
Total comprehensive result	161	91	-	-	26	(119)

Department of State Development
Notes to and forming part of the financial statements

	Royalties		Mintabie Administration		Native Title Agreement	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses						
Employee benefits	-	-	-	-	-	-
Supplies and services	-	-	11	75	-	-
Grants and subsidies	-	-	-	-	-	-
Payment of royalties to the Consolidated Account	207,994	237,452	-	-	-	-
Other	(4)	(76)	-	-	3,858	6,455
Total expenses	207,990	237,376	11	75	3,858	6,455
Income						
Royalties	208,035	237,460	-	-	-	-
Interest	-	-	-	-	-	-
Other	-	(13)	11	12	4,058	6,455
Total income	208,035	237,447	11	12	4,058	6,455
Net cost of providing services	45	71	-	(63)	200	-
Revenues from / payments to SA Government						
Revenues from / payments to SA Government	-	-	-	-	-	-
Net result	45	71	-	(63)	200	-
Total comprehensive result	45	71	-	(63)	200	-

Department of State Development
Notes to and forming part of the financial statements

	Bank of Tokyo Fund		Stolen Generations Reparations Scheme		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Expenses						
Employee benefits	-	-	-	-	808	908
Supplies and services	-	-	-	-	357	1,131
Grants and subsidies	-	-	-	-	8,130	7,534
Payment of royalties to the Consolidated Account	-	-	-	-	207,994	237,452
Other	-	-	-	-	4,385	6,379
Total expenses	-	-	-	-	221,674	253,404
Income						
Royalties	-	-	-	-	208,035	237,460
Interest	1	-	-	-	677	821
Other	89	-	-	-	4,158	6,454
Total income	90	-	-	-	212,870	244,735
Net cost of providing services	90	-	-	-	(8,804)	(8,669)
Revenues from / payments to SA Government						
Revenues from / payments to SA Government	-	-	210	-	9,536	8,649
Net result	90	-	210	-	732	(20)
Total comprehensive result	90	-	210	-	732	(20)

Aboriginal Affairs and Reconciliation

The Anangu Pitjantjatjara Yankunytjatjara (APY) Lands Taskforce is funded through appropriation from the Department of Treasury and Finance for the coordination and delivery of diversionary programs across the APY Land communities. The department also administers Commonwealth Government funding for projects on the APY Lands and other Aboriginal communities.

Small Business Commissioner

Appropriation funding for the Office of the Small Business Commissioner is paid by the Department of Treasury and Finance to the department. The funding is then provided to the Office of the Small Business Commissioner which is a separate reporting entity. The amounts transferred to the Office of the Small Business Commissioner represent appropriation funding only and not the entire budget for the operations.

Royalties

The department receives royalties levied on minerals and petroleum production on behalf of the State Government. Royalty receipts are collected pursuant to the *Roxby Downs (Indenture Ratification) Act 1982*, *Whyalla Steel Works Act 1958*, *Mining Act 1971* and the *Petroleum and Geothermal Act 2000*. Royalty receipts are returned to the Consolidated Account in the month following collection.

Native Title Agreement

The department currently collects revenue via a levy equivalent to 10% of the total royalty payable for relevant petroleum royalty payers. This is offset by payments made to the respective Native Title Parties.

Department of State Development

Notes to and forming part of the financial statements

Bank of Tokyo Fund

Relates to the transfer of funds in 2015-16 previously held by the Department of the Premier and Cabinet for the purpose of supporting cultural and social exchange between South Australia and Japan, to the department. The transfer of the fund from the Department of the Premier and Cabinet to the department aligns administrative responsibility of this account to Arts South Australia, a division of the department.

Stolen Generations Reparations Scheme

The South Australian Government has established the Stolen Generations Reparations Scheme to recognise the grief, pain and loss experienced by Aboriginal communities, families and individuals; and to also support a range of proposals that can assist in the healing process. The Scheme includes provision for up to \$6 million in ex-gratia payments to be made to individual members of the Stolen Generations.

Budgetary reporting and explanations of major variances between budget and actual amounts

The following are brief explanations of variances between original budget and actual budget amounts.

Explanations are provided for variances where the variance exceeds the greater of 10% of the budgeted amounts and 5% of budgeted total expenses.

		Original DSD Administered Budget 2016 \$'000	Actual 2016 \$'000	Variance \$'000
Statement of Comprehensive Income				
Expenses				
Employee benefits		916	808	(108)
Supplies and services		94	357	263
Grants and subsidies		7,535	8,130	595
Payment of royalties to the Consolidated Account	(a)	289,734	207,994	(81,740)
Other		5,784	4,385	(1,399)
Total expenses		304,063	221,674	(82,389)
Income				
Royalties	(a)	289,734	208,035	(81,699)
Interest		-	677	677
Other		5,784	4,158	(1,626)
Total income		295,518	212,870	(82,648)
Net cost of providing services		(8,545)	(8,804)	(259)
Revenues from / payments to SA Government				
Revenues from SA Government		8,545	9,536	991
Net result		-	732	732
Total comprehensive result		-	732	732

Department of State Development

Notes to and forming part of the financial statements

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.

Explanation of major variances from budget - administered

- (a) Royalties are recognised as administered revenue and then paid to the Department of Treasury and Finance's Consolidated Account. The royalty result for 2015-16 reflects a difficult operating environment for many operators.

Commodity prices continued to fall from the previous period: crude oil was down 44%, iron ore 30% lower and copper was 21% lower. During the period December 2015 to January 2016 all of the abovementioned commodities reached seven year lows. Other impacts that affected royalty revenue included the voluntary administration announcement by Arrium in April 2016, the coal mining operations at Leigh Creek closing and the announcement by Iluka that the Jacinth Ambrosia mine would be placed into care and maintenance.



Government
of South Australia

Department of
State Development

DEPARTMENT OF STATE DEVELOPMENT CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the attached General Purpose Financial statements for the Department of State Development:

- 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 department; and
- present a true and fair view of the financial position of the Department of State Development as at 30 June 2016 and the results of its operations and cash flows for the 2015-16 financial year.

We certify that the internal controls employed by the Department of State Development for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.

DR DON RUSSELL
CHIEF EXECUTIVE
DSD

PHUONG CHAU
DIRECTOR, FINANCE
DSD

Date 15. 9. 16

Date 15 september 2016



INDEPENDENT AUDITOR'S REPORT



Government of South Australia

Auditor-General's Department

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To the Chief Executive Department of State Development

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 State Development 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
- notes, comprising a summary of significant accounting policies and other explanatory information for administered items
- a Certificate from the Chief Executive and the Director, Finance.

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.

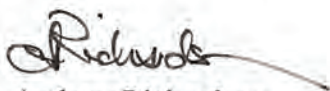
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. 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 State Development'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 State Development 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
20 September 2016

Superannuation Funds
Management Corporation
of South Australia

Financial report
for the year ended
30 June 2016

Funds SA
Financial Statements for the year ended 30 June 2016

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
Income			
Revenues from fees and charges		7,396	6,218
Interest revenues		62	91
Total Income		7,458	6,309
Expenses			
Employee benefits costs	3	4,573	4,215
Supplies and services	4	1,485	1,586
Depreciation and amortisation expense	5	195	134
Net loss from disposal of non-current assets		16	-
Total Expenses		6,269	5,935
Net Surplus		1,189	374
Total Comprehensive Result		1,189	374
The Net Surplus and Comprehensive Result is attributable to the SA Government as owner			

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Funds SA
Financial Statements for the year ended 30 June 2016

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
Current Assets			
Cash and cash equivalents		4,100	3,784
Receivables		796	722
Other current assets		71	86
Total Current Assets		4,967	4,592
Non-Current Assets			
Property, plant and equipment	7	1,278	180
Investments in Funds SA Unit Trusts	15	-	-
Total Non-Current Assets		1,278	180
Total Assets		6,245	4,772
Current Liabilities			
Payables	8	524	428
Employee benefits	9	400	271
Total Current Liabilities		924	699
Non-Current Liabilities			
Payables	8	80	76
Employee benefits	9	890	835
Total Non-Current Liabilities		970	911
Total Liabilities		1,894	1,610
Net Assets		4,351	3,162
Equity			
Retained earnings		4,351	3,162
Total Equity		4,351	3,162
The total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	11		
Contingent assets and liabilities	12		

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Funds SA
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STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2016

	Retained Earnings	Total
	\$'000	\$'000
Balance at 30 June 2014	2,788	2,788
Total comprehensive result for 2014-15	374	374
Balance at 30 June 2015	3,162	3,162
Total comprehensive result for 2015-16	1,189	1,189
Balance at 30 June 2016	4,351	4,351
Changes in equity are attributable to the SA Government as owner		

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

Funds SA
Financial Statements for the year ended 30 June 2016

STATEMENT OF CASHFLOWS
For the year ended 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
Cash flows from Operating Activities			
Cash inflows			
Receipts from fees and charges		8,158	6,999
Interest received		61	90
Cash generated from operations		8,219	7,089
Cash outflows			
Employee benefit payments		(4,449)	(4,124)
Supplies and services		(1,821)	(1,884)
GST paid to the ATO		(324)	(361)
Cash used in operations		(6,594)	(6,369)
Net cash provided by operating activities	13	1,625	720
Cash flows from Investing Activities			
Cash inflows			
Proceeds from the sale of property, plant and equipment		8	-
Cash generated from investing activities		8	-
Cash outflows			
Purchase of property, plant and equipment		(1,317)	(101)
Cash used in investing activities		(1,317)	(101)
Net cash used in investing activities		(1,309)	(101)
Net increase in cash and cash equivalents		316	619
Cash and cash equivalents at the beginning of the financial year		3,784	3,165
Cash and cash equivalents at the end of the financial year		4,100	3,784

The above Statement of Cashflows should be read in conjunction with the accompanying notes.

Funds SA

Financial Statements for the year ended 30 June 2016

SCHEDULE 1: ASSET SECTOR FUNDS UNDER MANAGEMENT

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

The disclosure of this information is voluntary. The basis of valuation of asset class investments is fair value as required under AASB13 *Fair Value Measurement*. The sources of valuations are provided below.

This schedule provides the following information:

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

Investment Valuation Sources

Discretely Managed Portfolios

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

Managed Funds

Pooled Funds / Unlisted Unit Trusts

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

Private Equity

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

Currency Hedge Overlay

The value of the currency hedge overlay, as at 30 June 2016, is supplied by Funds SA's custodian and represents either the payable or receivable associated with closing out the forward rate agreements in place, on that date, as part of Funds SA's currency management strategy.

Internally Managed Investments

Internally Managed Inflation Linked Securities

These investments, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer, Interactive Data Corporation.

Funds SA
Financial Statements for the year ended 30 June 2016

SCHEDULE 1: ASSET SECTOR FUNDS UNDER MANAGEMENT (continued)

STATEMENT OF INCOME AND EXPENSES OF ASSETS UNDER MANAGEMENT

For the year ended 30 June 2016

Asset Sector	Rent, Interest & Dividends \$'000	Realised gains / (losses) ¹ \$'000	Unrealised gains / (losses) ² \$'000	Expenses \$'000	TOTAL \$'000
Australian Equities A	300,182	(36,601)	(216,862)	(14,038)	32,681
Australian Equities B	50,833	811	(42,126)	(2,145)	7,373
International Equities A	115,336	(124,393)	(53,604)	(27,078)	(89,739)
International Equities B	38,040	(10,432)	(36,508)	(3,611)	(12,511)
Property A	169,620	104,325	122,688	(13,572)	383,061
Property B	11,955	10,713	20,107	(1,408)	41,367
Diversified Strategies Growth A	172,603	(25,424)	108,839	(56,427)	199,591
Diversified Strategies Growth B	12,599	(1,255)	13,425	(5,047)	19,722
Diversified Strategies Income	70,997	(53,413)	147,074	(21,859)	142,799
Inflation Linked Securities A	38,714	(1,578)	(28,068)	(2,309)	6,759
Inflation Linked Securities B	41,307	(23,546)	6,764	(2,882)	21,643
Long Term Fixed Interest	38,599	446	70,677	(2,591)	107,131
Short Term Fixed Interest	24,924	(2,777)	1,252	(1,138)	22,261
Cash	33,735	-	-	(777)	32,958
Socially Responsible	3,409	-	(2,349)	(726)	334
Absolute Return (MAC)	3,147	-	(5,833)	(348)	(3,034)
Infrastructure (MAC)	9,642	-	12,604	(2,948)	19,298
Diversified Strategies Income (MAC)	20,972	(3,878)	27,264	(3,058)	41,300
Fixed Interest (MAC)	31,595	(3,011)	4,819	(530)	32,873
TOTAL	1,188,209	(170,013)	150,163	(162,492)	1,005,867

⁽¹⁾ Realised gains / (losses) represents realised gains and losses over either cost for those investments which had been acquired and disposed of within the financial period, or over market values previously brought to account where the investments disposed of were held at the commencement of the period.

⁽²⁾ Unrealised gains / (losses) represents unrealised gains and losses, over either cost for those investments acquired during the period, or over market value at the commencement of the period for those investments acquired prior to the commencement of the period, and held at balance date.

Funds SA
Financial Statements for the year ended 30 June 2016

SCHEDULE 1: ASSET SECTOR FUNDS UNDER MANAGEMENT (continued)

STATEMENT OF INCOME AND EXPENSES OF ASSETS UNDER MANAGEMENT

For the year ended 30 June 2015

Asset Sector	Rent, Interest & Dividends \$'000	Realised gains / (losses) ¹ \$'000	Unrealised gains / (losses) ² \$'000	Expenses \$'000	TOTAL \$'000
Australian Equities A	228,112	28,595	40,382	(12,420)	284,669
Australian Equities B	25,636	244	6,423	(1,513)	30,790
International Equities A	101,278	147,191	693,655	(28,342)	913,782
International Equities B	22,218	(12,544)	85,953	(2,733)	92,894
Property A	142,526	-	133,315	(11,418)	264,423
Property B	12,693	-	12,549	(1,102)	24,140
Diversified Strategies Growth A	121,800	(91,305)	178,543	(44,263)	164,775
Diversified Strategies Growth B	9,004	(7,396)	14,375	(3,681)	12,302
Diversified Strategies Income	78,825	(167,513)	243,707	(35,213)	119,806
Inflation Linked Securities A	35,672	(1,479)	(4,401)	(367)	29,425
Inflation Linked Securities B	39,851	11,189	25,669	(2,752)	73,957
Long Term Fixed Interest	33,680	10,951	17,581	(2,283)	59,929
Short Term Fixed Interest	26,732	(950)	(2,933)	(1,063)	21,786
Cash	31,010	-	-	(595)	30,415
Socially Responsible	2,558	-	5,998	(664)	7,892
Absolute Return (MAC)	6,040	-	(2,697)	(1,137)	2,206
Infrastructure (MAC)	6,380	-	7,088	(1,587)	11,881
Diversified Strategies Income (MAC)	25,440	(32,373)	31,544	(1,850)	22,761
Fixed Interest (MAC)	26,932	1,047	(297)	(387)	27,295
TOTAL	976,387	(114,343)	1,486,454	(153,370)	2,195,128

⁽¹⁾ Realised gains / (losses) represents realised gains and losses over either cost for those investments which had been acquired and disposed of within the financial period, or over market values previously brought to account where the investments disposed of were held at the commencement of the period.

⁽²⁾ Unrealised gains / (losses) represents unrealised gains and losses, over either cost for those investments acquired during the period, or over market value at the commencement of the period for those investments acquired prior to the commencement of the period, and held at balance date.

Funds SA

Financial Statements for the year ended 30 June 2016

STATEMENT OF NET ASSETS UNDER MANAGEMENT

As at 30 June 2016

Asset Sector	Discretely Managed Portfolios	Managed Funds	Internally Managed Investments	Currency Hedge Overlay	Other Assets	Liabilities	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australian Equities A	4,803,249	-	-	-	279	(3,701)	4,799,827
Australian Equities B	229,286	531,396	-	-	29	(403)	760,308
International Equities A	4,179,251	657,138	-	(9,762)	102	(4,538)	4,822,191
International Equities B	298,694	351,983	-	430	10	(483)	650,634
Property A	29	2,719,084	-	-	34	(203)	2,718,944
Property B	-	431,282	-	-	5	(44)	431,243
Diversified Strategies Growth A	-	1,965,592	-	(5,152)	25	(769)	1,959,696
Diversified Strategies Growth B	-	217,882	-	(511)	4	(73)	217,302
Diversified Strategies Income	1,778,982	2,104,699	-	(15,855)	65	(3,754)	3,864,137
Inflation Linked Securities A*	-	-	413,944	-	71	(98)	413,917
Inflation Linked Securities B	1,499,733	-	-	-	1,035	(566)	1,500,202
Long Term Fixed Interest	1,332,813	-	-	-	17	(639)	1,332,191
Short Term Fixed Interest	646,390	-	-	-	21	(255)	646,156
Cash	-	1,280,327	-	-	289	(57)	1,280,559
Socially Responsible	-	105,800	-	-	3	(20)	105,783
Absolute Return (MAC)	-	32,037	-	-	1	(73)	31,965
Infrastructure (MAC)	-	149,970	2,367	-	2	(6)	152,333
Diversified Strategies Income (MAC)	663,833	131,354	-	-	42	(1,174)	794,055
Fixed Interest (MAC)	504,380	-	-	-	60	(88)	504,352
TOTAL	15,936,640	10,678,544	416,311	(30,850)	2,094	(16,944)	26,985,795

* Inflation Linked Securities A excludes the portion of its ownership in the Inflation Linked Securities B asset class.

Funds SA

Financial Statements for the year ended 30 June 2016

STATEMENT OF NET ASSETS UNDER MANAGEMENT

As at 30 June 2015

Asset Sector	Discretely Managed Portfolios	Managed Funds	Internally Managed Investments	Currency Hedge Overlay	Other Assets	Liabilities	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australian Equities A	3,648,088	1,088,645	-	-	240	(3,861)	4,733,112
Australian Equities B	94,295	525,125	-	-	21	(376)	619,065
International Equities A	4,430,735	700,707	-	(54,374)	85	(6,016)	5,071,137
International Equities B	263,801	314,436	-	(5,955)	6	(440)	571,848
Property A	37	2,657,759	-	-	18	(911)	2,656,903
Property B	-	259,846	-	-	3	(113)	259,736
Diversified Strategies Growth A	-	1,698,964	-	(24,795)	14	(531)	1,673,652
Diversified Strategies Growth B	-	161,342	-	(1,892)	3	(49)	159,404
Diversified Strategies Income	1,643,046	1,635,314	-	(36,690)	47	(3,391)	3,238,326
Inflation Linked Securities A*	-	-	444,009	-	1	(115)	443,895
Inflation Linked Securities B	1,747,276	-	-	-	1,036	(889)	1,747,423
Long Term Fixed Interest	1,025,007	-	-	-	13	(710)	1,024,310
Short Term Fixed Interest	623,889	-	-	-	19	(348)	623,560
Cash	-	1,323,991	-	-	220	(132)	1,324,079
Socially Responsible	-	96,271	-	-	8	(32)	96,247
Absolute Return (MAC)	-	34,744	-	-	1	(84)	34,661
Infrastructure (MAC)	-	130,603	3,266	-	1	(16)	133,854
Diversified Strategies Income (MAC)	660,530	-	-	-	53	(449)	660,134
Fixed Interest (MAC)	726,185	-	-	-	55	(171)	726,069
TOTAL	14,862,889	10,627,747	447,275	(123,706)	1,844	(18,634)	25,797,415

* Inflation Linked Securities A excludes the portion of its ownership in the Inflation Linked Securities B asset class.

Funds SA

Financial Statements for the year ended 30 June 2016

SCHEDULE 1: ASSET SECTOR FUNDS UNDER MANAGEMENT (continued)

Fair Value Hierarchy

In accordance with the disclosure requirements under AASB 13 *Fair Value Measurement*, Funds SA has adopted the fair value hierarchy disclosures for the funds under management as at 30 June 2016. This requires the disclosure of investments using a fair value hierarchy that reflects the subjectivity of the inputs used in valuing the investments.

The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) 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 (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

As per AASB 13 paragraph 73, “the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement”. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the investment.

The determination of what constitutes ‘observable’ requires judgement. Funds SA considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, and provided by independent sources that are actively involved in the relevant market.

The table below sets out Funds SA’s investments (by asset class) measured at fair value according to the fair value hierarchy at 30 June 2016.

Funds SA
Financial Statements for the year ended 30 June 2016

SCHEDULE 1: ASSET SECTOR FUNDS UNDER MANAGEMENT (continued)

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES					
As at 30 June 2016					
Financial assets and liabilities through profit or loss	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Other \$'000	Total \$'000
Australian Equities A	4,802,847	94	-	(3,114)	4,799,827
Australian Equities B	229,281	531,395	-	(368)	760,308
International Equities A	4,196,313	626,791	-	(913)	4,822,191
International Equities B	301,138	349,828	-	(332)	650,634
Property A	30	480,766	2,238,318	(170)	2,718,944
Property B	1	65,372	365,910	(40)	431,243
Diversified Strategies Growth A	14,576	127,281	1,818,584	(745)	1,959,696
Diversified Strategies Growth B	1,211	37,689	178,472	(70)	217,302
Diversified Strategies Income	112,602	3,755,212	-	(3,677)	3,864,137
Inflation Linked Securities*	761,057	739,616	413,944	(498)	1,914,119
Long Term Fixed Interest	1,251,970	80,839	-	(618)	1,332,191
Short Term Fixed Interest	490,509	155,867	-	(220)	646,156
Cash	1,280,596	-	-	(37)	1,280,559
Socially Responsible	2	105,800	-	(19)	105,783
Absolute Return (MAC)	1	32,037	-	(73)	31,965
Infrastructure (MAC)	1	-	152,337	(5)	152,333
Diversified Strategies Income (MAC)	66,625	728,532	-	(1,102)	794,055
Fixed Interest (MAC)	253,015	251,412	-	(75)	504,352
Total	13,761,775	8,068,531	5,167,565	(12,076)	26,985,795

* Inflation Linked Securities includes the externally and internally managed inflation linked securities from both the Inflation Linked Securities A and Inflation Linked Securities B asset classes.

There were no transfers of assets between Levels 1, 2 or 3 during the year ended 30 June 2016.

Funds SA
Financial Statements for the year ended 30 June 2016

SCHEDULE 1: ASSET SECTOR FUNDS UNDER MANAGEMENT (continued)

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES					
As at 30 June 2015					
Financial assets and liabilities through profit or loss	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Other \$'000	Total \$'000
Australian Equities A	3,647,760	1,088,645	-	(3,293)	4,733,112
Australian Equities B	94,290	525,124	-	(349)	619,065
International Equities A	4,428,224	646,333	-	(3,420)	5,071,137
International Equities B	263,728	308,482	-	(362)	571,848
Property A	34	475,202	2,182,557	(890)	2,656,903
Property B	1	52,434	207,412	(111)	259,736
Diversified Strategies Growth A	1	119,593	1,554,576	(518)	1,673,652
Diversified Strategies Growth B	1	36,823	122,635	(55)	159,404
Diversified Strategies Income	70,063	3,171,601	-	(3,338)	3,238,326
Inflation Linked Securities*	933,938	814,317	444,009	(946)	2,191,318
Long Term Fixed Interest	970,426	54,583	-	(699)	1,024,310
Short Term Fixed Interest	469,446	154,421	-	(307)	623,560
Cash	1,324,197	-	-	(118)	1,324,079
Socially Responsible	8	96,271	-	(32)	96,247
Absolute Return (MAC)	1	34,744	-	(84)	34,661
Infrastructure (MAC)	1	-	133,869	(16)	133,854
Diversified Strategies Income (MAC)	152,653	507,928	-	(447)	660,134
Fixed Interest (MAC)	352,148	374,084	-	(163)	726,069
Total	12,706,920	8,460,585	4,645,058	(15,148)	25,797,415

* Inflation Linked Securities includes the externally and internally managed inflation linked securities from both the Inflation Linked Securities A and Inflation Linked Securities B asset classes.

There were no transfers of assets between Levels 1, 2 or 3 during the year ended 30 June 2015.

Funds SA
Financial Statements for the year ended 30 June 2016

SCHEDULE 1: ASSET SECTOR FUNDS UNDER MANAGEMENT (continued)

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

	Opening Balance - 1 July 2015	Purchases	Disposals	Unrealised Gains / (Losses)	Closing Balance - 30 June 2016
Level 3 Financial Assets and Liabilities	\$'000	\$'000	\$'000	\$'000	\$'000
Property A	2,182,557	2,016,847	(2,038,975)	77,889	2,238,318
Property B	207,412	355,906	(213,505)	16,097	365,910
Diversified Strategies Growth A	1,554,576	444,755	(160,516)	(20,231)	1,818,584
Diversified Strategies Growth B	122,635	61,770	(9,979)	4,046	178,472
Inflation Linked Securities*	444,009	-	-	(30,065)	413,944
Infrastructure (MAC)	133,869	8,755	-	9,713	152,337
Total	4,645,058	2,888,033	(2,422,975)	57,449	5,167,565

* Inflation Linked Securities includes the externally and internally managed inflation linked securities from both the Inflation Linked Securities A and Inflation Linked Securities B asset classes.

There were no transfers of assets into or out of Level 3 during the year ended 30 June 2016.

Funds SA

Financial Statements for the year ended 30 June 2016

SCHEDULE 1: ASSET SECTOR FUNDS UNDER MANAGEMENT (continued)

Level 1

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include listed equities and developed market nominal sovereign bonds.

Level 1 also includes cash at bank, term deposits, bank bills, promissory notes and interest receivable on these investments.

Level 2

Investments that trade in markets that are not considered to be sufficiently active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include investment-grade corporate bonds, certain non-US sovereign bonds, over-the-counter derivatives (including the foreign currency hedge overlay) and certain unlisted unit trusts where the nature of the underlying investments allows for ready transaction of units at the observable price.

Level 3

Investments classified within Level 3 have significant unobservable inputs, as they are infrequently traded. As observable prices are not available for these investments, Funds SA has used industry standard valuation techniques to derive fair value. Level 3 investments include certain directly held non traded index-linked securities and unlisted unit trusts where the underlying investments have been valued using an appraisal methodology and the unit price is provided for predominantly valuation rather than transaction purposes.

Other

Although not specifically required by AASB 13, 'Other' includes accrued expenses and GST payable (to the ATO) / receivable (from the ATO) for each asset class and is included in the above disclosure for completeness purposes only.

Funds SA

Financial Statements for the year ended 30 June 2016

SCHEDULE 1: ASSET SECTOR FUNDS UNDER MANAGEMENT (continued)

Financial Instruments and Management of Portfolio Risk

Use of derivative financial instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from other specific assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, currency forward rate agreements and exchange-traded futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers, for the purposes described above.

The fair value of all derivative positions as at 30 June 2016 is incorporated within the Statement of Net Assets Under Management in Schedule 1.

Market Risk

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

Funds SA manages the risk of financial market volatility through the adherence to two principles:

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

Liquidity Risk

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

Funds SA manages liquidity risk as follows:

- Firstly, by giving careful consideration to the expected net cash redemption requirements of Funds SA's investors. The allocation to cash in the strategic asset allocation of each investment option is set at a level sufficient to manage expected cash redemptions.
- Secondly, a large proportion of each investment option is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

Funds SA
Financial Statements for the year ended 30 June 2016

SCHEDULE 1: ASSET SECTOR FUNDS UNDER MANAGEMENT (continued)

Financial Instruments and Management of Portfolio Risk (continued)

Currency Risk

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

Funds SA's strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the Diversified Strategies Growth A, Diversified Strategies Growth B, Diversified Strategies Income, Fixed Interest and Inflation Linked Securities asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the International Equities A and International Equities B asset sectors are 50% hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above.

Interest Rate Risk

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

Funds SA manages interest rate risk through:

- ensuring asset allocations for different investment options are consistent with the time horizon of each; and
- the use of specialist external investment managers to manage Funds SA's cash and fixed interest portfolios.

Funds SA

Financial Statements for the year ended 30 June 2016

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Funds SA

Financial Statements for the year ended 30 June 2016

Note 1 Objectives of Funds SA

a) Objectives of Funds SA

The Superannuation Funds Management Corporation of South Australia (Funds SA or the Corporation) was established on 1 July 1995 pursuant to the *Superannuation Funds Management Corporation of South Australia Act 1995* (Funds SA Act).

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

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

Under Section 7 of the Funds SA Act, the objective of the Corporation in performing its functions is to achieve the highest return possible on investment of the funds while having proper regard for -

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

b) Purpose of the financial statements

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

As at 30 June 2016, Funds SA managed the following funds:

Public Sector Superannuation Funds:

- South Australian Superannuation Scheme:
 - South Australian Superannuation Fund (Old Scheme Division)
 - South Australian Superannuation Fund (New Scheme Division)
 - South Australian Superannuation Scheme - Employer Contribution Accounts
- Police Superannuation Scheme:
 - Police Superannuation Fund (Old Scheme Division)
 - Police Superannuation Scheme - Employer Contribution Account
- Southern State Superannuation Scheme:
 - Southern State Superannuation Fund
- Super SA Retirement Investment Fund:
 - Super SA Flexible Rollover Product
 - Super SA Income Stream

Funds SA

Financial Statements for the year ended 30 June 2016

Note 1 Objectives of Funds SA (continued)

b) Purpose of the financial statements (continued)

- Parliamentary Superannuation Scheme
- Judges' Pension Scheme
- Governors' Pension Scheme

Eligible Superannuation Funds:

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

Nominated Funds of Approved Authorities:

- South Australian Government Financing Authority
- Adelaide Cemeteries Authority
- Motor Accident Commission – Compulsory Third Party Fund
- Lifetime Support Authority
- Health Services Charitable Gifts Board
- The University of Adelaide Endowment Fund

Other (Established by the Public Corporation (Southern Select Super Corporation) Regulations 2012)

- Super SA Select

c) Format and content of Funds SA's financial statements

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

The Statement of Financial Position does not incorporate the funds under management as assets of Funds SA. The Statement of Comprehensive Income does not incorporate the investment revenue and expenses. The financial statements of these funds are disclosed separately under Note 16 in accordance with section 26(2) of the Funds SA Act.

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

Funds SA

Financial Statements for the year ended 30 June 2016

Note 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 and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by Funds SA for the reporting period ending 30 June 2016.

AASB 16 Leases will apply for the first time to our 30 June 2020 financial statements. This standard will require Funds SA to recognise all leased items in the statement of financial position as assets to represent the value of what Funds SA lease, and liabilities to represent expected future lease payments. Depending on the lease arrangements Funds SA have entered into at the time, this could see assets and liabilities of up to \$1.4m being recognised and, over the lease term, amortised.

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 Funds SA's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; 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 (Refer Note 4);
 - 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 (Refer Note 3).

Funds SA

Financial Statements for the year ended 30 June 2016

Note 2 Summary of Significant Accounting Policies (continued)

b) Basis of preparation (continued)

Funds SA'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 the historical cost convention.

The Statement of Cashflows has been prepared on a cash basis.

The financial statements have been prepared based on a twelve 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) Reporting entity

The financial report covers Funds SA as an individual reporting entity. Funds SA is a statutory authority of the State of South Australia, established pursuant to *Superannuation Funds Management Corporation of South Australia Act 1995*.

d) Rounding

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

e) 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 Australian Accounting Standard has 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.

f) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to Funds SA 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.

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

Funds SA

Financial Statements for the year ended 30 June 2016

Note 2 Summary of Significant Accounting Policies (continued)

g) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from Funds SA 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 Funds SA to the superannuation plan in respect of current services of current staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of government financial statements.

Supplies and services

Supplies and services generally represent day-to-day running costs incurred in the normal operations of Funds SA. These items are recognised as an expense in the reporting period in which they are incurred.

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 leasehold improvements, while depreciation is applied to tangible assets such as computer and office 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.

Funds SA

Financial Statements for the year ended 30 June 2016

Note 2 Summary of Significant Accounting Policies (continued)

g) Expenses (continued)

Class of Assets	Depreciation Method	Useful Life (Years)
Leasehold Improvements	Straight Line	Term of Lease
Computer and Office Equipment:		
▪ Computers, hardware and software	Straight Line	3 years
▪ Office furniture	Straight Line	10 years

h) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. Funds SA 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 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, Funds SA has separately disclosed the amounts expected to be recovered or settled after more than twelve 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 recorded in the Statement of Financial Position includes cash on hand and at bank.

Cash is measured at nominal value.

Receivables

Receivables include amounts receivable from Funds SA's investors, GST input tax credits and other accruals. Receivables arise in the normal course of providing services to the investors.

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.

Funds SA

Financial Statements for the year ended 30 June 2016

Note 2 Summary of Significant Accounting Policies (continued)

i) Assets (continued)

Impairment

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

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.

Where a liability line item combines amounts expected to be settled within twelve months and more than twelve months, Funds SA has separately disclosed the amounts expected to be settled after more than twelve months.

Payables

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

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

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

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

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

Leases

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

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 using the long term Commonwealth Government bond rate of 2.00% as the discount rate. Short-term employee benefits are measured at nominal amounts.

Funds SA

Financial Statements for the year ended 30 June 2016

Note 2 Summary of Significant Accounting Policies (continued)

j) Liabilities (continued)

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.

The annual leave liability and the skills and experience retention leave liability are expected to be payable within twelve 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 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. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with duration that match, as closely as possible, the estimated future cash outflows.

This calculation is consistent with Funds SA's experience of employee retention and leave taken. Based on a survey of staff, the portion of the long service leave provision expected to be taken within 12 months of the reporting date is classified as current. The remaining portion of the long service leave provision is classified as non-current.

k) Unrecognised contractual commitments and contingent assets and liabilities

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

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the 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.

l) Insurance

Funds SA has arranged, through the SA Government Captive Insurance Corporation (SAICORP) (a division of SAFA), to insure all major risks of Funds SA. The excess payable under this arrangement varies depending on each class of insurance held.

Funds SA

Financial Statements for the year ended 30 June 2016

Note 2 Summary of Significant Accounting Policies (continued)

m) Taxation

Funds SA is liable for payroll 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 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
- payables, which are stated with the amount of GST included.

n) Valuation basis of investor funds under management

Note 16 provides financial statements in respect of each investor fund under the management of Funds SA for the 2015-16 financial year.

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

- For superannuation scheme investors, investments have been valued at net market value in accordance with AAS 25 *Financial Reporting by Superannuation Plans*; and
- All other investors' investments have been valued at fair value in accordance with AASB 13 *Fair Value Measurement*.

Funds SA
Financial Statements for the year ended 30 June 2016

Note 3 Employee benefits costs

	2016	2015
	\$'000	\$'000
Salaries and wages	3,526	3,146
Board fees	344	363
Employment on costs	703	706
Total employee benefits costs	4,573	4,215

Remuneration of employees

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

\$145 001 to \$155 000	-	3
\$155 001 to \$165 000	2	-
\$165 001 to \$175 000	2	-
\$195 001 to \$205 000	-	2
\$215 001 to \$225 000	1	-
\$235 001 to \$245 000	-	1
\$255 001 to \$265 000	1	-
\$265 001 to \$275 000	1	-
\$315 001 to \$325 000	-	1
\$335 001 to \$345 000	-	1
\$415 001 to \$425 000	1	-
Total number of employees	8	8

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 \$1.828 million (\$1.751 million for 2014-15).

Funds SA
Financial Statements for the year ended 30 June 2016

Note 4 Supplies and services

	2016	2015
	\$'000	\$'000
Computing and communication	216	192
Human resource expenses	136	199
Board expenses	81	209
Staff development	91	54
Subscriptions and publications	100	66
Internal audit fees	107	71
External audit fees	93	90
Travel and accommodation	178	170
Legal and advisory expenses	58	23
Office rent	281	396
Office supplies and printing	70	68
Website expenses	7	5
Investor relationship expenses	6	3
Other	61	40
Total supplies and services ⁽¹⁾	1,485	1,586

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

The number and dollar amount of Consultancies paid/payable (included in supplies & services expense) that fell within the following bands:				
	No.	2016 \$'000	No.	2015 \$'000
Below \$10,000	2	9	5	17
Above \$10,000	4	128	1	155
Total paid /payable to the consultants engaged	6	137	6	172

Funds SA
Financial Statements for the year ended 30 June 2016

Note 5 Depreciation and amortisation expense

	2016	2015
	\$'000	\$'000
Depreciation		
Computer and office equipment	113	108
Amortisation		
Leasehold improvements	82	26
Total depreciation and amortisation	195	134

Note 6 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	93	90
Total audit fees – SA Government entities	93	90

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 'external audit fees' (refer note 4).

Funds SA
Financial Statements for the year ended 30 June 2016

Note 7 Property, plant and equipment

	2016	2015
	\$'000	\$'000
Leasehold Improvements		
Leasehold improvements at fair value	997	638
Accumulated amortisation	(82)	(574)
Total leasehold improvements	915	64
Computer and office equipment		
Computer and office equipment at fair value	657	714
Accumulated depreciation	(294)	(598)
Total Computer and Office Equipment	363	116
Total Property Plant and Equipment	1,278	180

RECONCILIATION OF NON-CURRENT ASSETS

The following table shows the movement of Non-Current Assets
during the year ended 30 June 2016

	Leasehold improvements \$'000	Computer and office equipment \$'000	Non-Current Assets Total \$'000
Carrying amount at the beginning of the financial year	64	116	180
Additions	936	381	1,317
Disposals	(3)	(21)	(24)
Depreciation and amortisation	(82)	(113)	(195)
Carrying amount at the end of the financial year	915	363	1,278

Funds SA
Financial Statements for the year ended 30 June 2016

Note 7 Property, plant and equipment (continued)

RECONCILIATION OF NON-CURRENT ASSETS

The following table shows the movement of Non-Current Assets during the year ended 30 June 2015

	Leasehold Improvements \$'000	Computer and Office Equipment \$'000	Non-Current Assets Total \$'000
Carrying amount at the beginning of the financial year	29	184	213
Additions	61	40	101
Depreciation and amortisation	(26)	(108)	(134)
Carrying amount at the end of the financial year	64	116	180

FAIR VALUE HIERARCHY

Non-Financial Assets
As at 30 June 2016

Funds SA categorises non-financial assets measured at fair value into a hierarchy based on the level of inputs used in their measurements. Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2016.

Funds SA had no valuations categorised into Levels 1 and 2.

	Level 3	Total
Fair value measurements at 30 June 2016	\$'000	\$'000
Leasehold improvements	915	915
Computer and office equipment	363	363
Total fair value measurements	1,278	1,278

Valuation techniques used to derive Level 3 fair values are provided at Schedule 1. Although unobservable inputs were used in determining fair value, and are subjective, Funds SA considers that the overall valuation would not be materially affected by changes to existing assumptions. There were no changes in valuation techniques during 2016. The reconciliation of fair value measurements using significant unobservable inputs (Level 3) is represented by the reconciliation of non-current assets above.

Funds SA
Financial Statements for the year ended 30 June 2016

FAIR VALUE HIERARCHY

Non-Financial Assets

As at 30 June 2015

Funds SA categorises non-financial assets measured at fair value into a hierarchy based on the level of inputs used in their measurements. Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2015.

Funds SA had no valuations categorised into Levels 1 and 2.

	Level 3	Total
Fair value measurements at 30 June 2015	\$'000	\$'000
Leasehold improvements	64	64
Computer and office equipment	116	116
Total fair value measurements	180	180

Note 8 Payables

	2016	2015
	\$'000	\$'000
Current		
Creditors	105	103
GST Payable	258	138
Accrued expenses	114	150
Employment on costs	47	37
Total current payables	524	428
Non Current		
Employment on costs	80	76
Total non current payables	80	76
Total payables	604	504

Funds SA
Financial Statements for the year ended 30 June 2016

Note 9 Employee Benefits

	2016	2015
	\$'000	\$'000
Current		
Accrued salaries and wages	72	32
Annual leave	231	184
Long service leave*	58	29
Skills and experience retention leave	39	26
Total current employee benefits	400	271
Non-Current		
Long service leave*	890	835
Total non-current employee benefits	890	835
Total employee benefits	1,290	1,106

*AASB 119 *Employee Benefits* 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 (3.00%) 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 the current financial year is an increase in the long service leave liability of \$59,204 and employee benefits expense of \$65,503. 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%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

Funds SA

Financial Statements for the year ended 30 June 2016

Note 10 Key Management Personnel

(a) Board members

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

Directors in office as at 30 June 2016:

Hon. Kevin Foley	Chairman	Held Director position throughout the year (appointed Chairman 9 th December 2015)
Jan McMahon	Director	Throughout the year
Kevin Crawshaw	Director	Throughout the year
Kathryn Presser	Director	Throughout the year
Robert Patterson	Director	Commenced 24 th September 2015
Jane Jeffreys	Director	Commenced 10 th December 2015
Paul Laband	Director	Commenced 21 st April 2016

Directors who ceased during the year:

James Baulderstone	Director	Ceased 30 th July 2015
Helen Nugent	Chairman	Ceased 8 th December 2015
Leigh Hall	Director	Ceased 3 rd March 2016

Funds SA

Financial Statements for the year ended 30 June 2016

(b) Sub-Committees

Funds SA has established 2 sub-committees where members receive remuneration for their membership. These are:

Audit and Risk Committee

Kathryn Presser	Chairman	Held Director position throughout the year (appointed Chairman 6 th May 2016)
Kevin Crawshaw	Member	Throughout the year
Hon. Kevin Foley	Member	Commenced 14 th December 2015
Paul Laband	Member	Commenced 6 th May 2016

Directors who ceased membership of the Audit and Risk Committee during the year:

Helen Nugent	Member	Ceased 8 th December 2015
Leigh Hall	Chairman	Ceased 3 rd March 2016

Human Resources Committee

Hon. Kevin Foley	Chairman	Held Director position throughout the year (appointed Chairman 14 th December 2015)
Jan McMahon	Member	Throughout the year
Robert Patterson	Member	Commenced 14 th October 2015
Jane Jeffreys	Member	Commenced 14 th December 2015

Directors who ceased membership of the Human Resources Committee during the year:

James Baulderstone	Member	Ceased 30 th July 2015
Helen Nugent	Chairman	Ceased 8 th December 2015

Funds SA

Financial Statements for the year ended 30 June 2016

Note 10 Key Management Personnel (continued)

(c) Other key management personnel

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

Jo Townsend	Chief Executive Officer
John Piteo	Chief Operating Officer

(d) Key management personnel compensation

The key management personnel are the governing board members and senior management (including the Chief Executive) who have responsibility for the strategic direction and management of Funds SA.

	2016	2015
	\$'000	\$'000
Short-term employee benefits	1,049	949
Long-term employee benefits	69	175
Total	1,118	1,124

(e) Remuneration of governing board members

	Number of board members	
	2016	2015
The number of governing board members whose remuneration received or receivable falls within the following bands:		
Under - \$10,000	2	-
\$10,000 - \$19,999	-	2
\$20,000 - \$29,999	1	2
\$30,000 - \$39,999	3	1
\$40,000 - \$49,999	3	2
\$50,000 - \$59,999	-	1
\$70,000 - \$79,999	1	-
\$90,000 - \$99,999	-	1
Total	10	9

Funds SA

Financial Statements for the year ended 30 June 2016

Note 10 Key Management Personnel (continued)

Board members remuneration includes fees, superannuation and other benefits. Directors' fees include fees paid with respect to directors' representation on the Funds SA Board and Board sub-committees. Directors' fees for the 2015-16 year were set by the Governor of South Australia. The aggregate remuneration of directors was \$344,000 (2014-15: \$363,000).

In 2015-16, the aggregate amount paid, or due and payable for Directors, to the Southern State Superannuation Scheme totalled \$215,000 (2014-15: \$177,000). In 2015-16, the periodic amounts paid, or due and payable, to private superannuation funds totalled \$5,000 (2014-15: \$12,000).

(f) Transactions with directors and director-related entities

During the 2015-16 year there were no transactions with directors or director-related entities.

Note 11 Unrecognised Contractual Commitments

Operating Lease Commitments

Funds SA's operating lease is for office accommodation. Rent is payable in arrears.

	2016	2015
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases, are payable as follows:		
Within one year	266	268
Later than one year but not longer than five years	1,167	1,055
Later than five years	1,442	1,642
Total non-cancellable operating lease commitments	2,875	2,965

Note 12 Contingent assets and liabilities

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

Funds SA
Financial Statements for the year ended 30 June 2016

Note 13 Cash flow reconciliation

	2016	2015
	\$'000	\$'000
Reconciliation of Net Cash provided by Operating Activities to Surplus:		
Net surplus	1,189	374
Add non-cash items		
Depreciation and amortisation expense	195	134
Loss on Sale of Assets	16	-
Changes in Assets / Liabilities		
(Increase) / decrease in receivables	(74)	19
(Decrease) / increase in other current assets	15	(32)
Increase in payables	100	162
Increase in employee benefits	184	63
Net cash provided by operating activities	1,625	720

Funds SA

Financial Statements for the year ended 30 June 2016

Note 14 Financial Instruments

(a) Interest Rate Risk

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

	2016 \$'000				2015 \$'000			
	Interest rate at balance date	Floating interest rate	Non interest bearing	Total	Interest rate at balance date	Floating interest rate	Non interest bearing	Total
Financial assets								
Cash	1.77%	4,100	-	4,100	2.07%	3,784	-	3,784
Receivables	-	-	796	796	-	-	722	722
Total financial assets		4,100	796	4,896		3,784	722	4,506
Financial liabilities								
Payables	-	-	90	90	-	-	15	15
Total financial liabilities		-	90	90		-	15	15

Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (eg Commonwealth, State and Local Govt taxes, fees and charges; Auditor-General's Department audit fees). Where rights or obligations have their source in legislation such as levies, tax and equivalents etc they would be excluded from the disclosure. AASB 132 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 as 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.

Interest rate and credit risk

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

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

Funds SA

Financial Statements for the year ended 30 June 2016

Note 14 Financial Instruments (continued)

Sensitivity disclosure analysis

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

(b) Market risk exposure

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

Funds SA manages this risk in two ways:

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

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

(c) Maturity analysis of financial assets and liabilities

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

	Contractual maturities 30 June 2016		Contractual maturities 30 June 2015	
	Carrying amount (\$'000)	< 1 year (\$'000)	Carrying amount (\$'000)	< 1 year (\$'000)
Financial assets				
Cash	4,100	4,100	3,784	3,784
Receivables	796	796	722	722
Total financial assets	4,896	4,896	4,506	4,506
Financial liabilities				
Payables	90	90	15	15
Total financial liabilities	90	90	15	15

Funds SA

Financial Statements for the year ended 30 June 2016

Note 15 Investments in Funds SA Unit Trusts

On 20 June 2008 Funds SA established 15 unit trusts to manage the investments of Funds SA's tax-paying investors. Since that time, an additional three unit trusts have been established. A consolidated list of Funds SA's unit trusts is provided below.

Trust	Date established	Settled Sum
High Growth B Unit Trust	20 June 2008	\$10
Growth B Unit Trust	20 June 2008	\$10
Balanced B Unit Trust	20 June 2008	\$10
Moderate B Unit Trust	20 June 2008	\$10
Conservative B Unit Trust	20 June 2008	\$10
Capital Defensive B Unit Trust	20 June 2008	\$10
Cash Option B Unit Trust	20 June 2008	\$10
Australian Equities B Unit Trust	20 June 2008	\$10
International Equities B Unit Trust	20 June 2008	\$10
Property B Unit Trust	20 June 2008	\$10
Diversified Strategies Growth B Unit Trust	20 June 2008	\$10
Diversified Strategies Income A&B Unit Trust	20 June 2008	\$10
Fixed Interest A&B Unit Trust	20 June 2008	\$10
Inflation Linked Securities A&B Unit Trust	20 June 2008	\$10
Cash A&B Unit Trust	20 June 2008	\$10
Socially Responsible Investment Unit Trust	12 February 2010	\$10
Short Term Fixed Interest A&B Unit Trust	8 June 2010	\$10
Funds SA Property Holdings Trust	22 March 2016	\$10
	Total	\$180

Funds SA

Financial Statements for the year ended 30 June 2016

Note 16 Investor Funds Under Management

Operation of Investment Portfolio

Funds SA operates a multi-layered unitisation structure to facilitate the administration of different investment strategies applying to the various investor funds. For the year ending 30 June 2016, Funds SA managed a number of different investment options distinguished by differing strategic asset allocations, namely:

- High Growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital Defensive
- Cash
- Socially Responsible
- Motor Accident Commission.

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

Under section 26(2) of the Funds Act, Funds SA is required to “prepare separate financial statements in a form approved by the Minister in respect of each fund or authority in respect of each financial year”. In compliance with the Funds Act, the format of these financial statements has been approved by the Minister.

These investor fund financial statements are explained and disclosed below:

- Each investor fund’s allocation of total net investment income is disclosed in the Statement of Receipts and Payments. The amounts disclosed in the payments and receipts include investor placements and redemptions in investment options inclusive of switches between investment options.
- The interest which each investor fund holds in the unitised investment portfolio is disclosed in the Statement of Funds Under Management - by Investment Option.
- The indirect interest which each investor fund holds in the asset sectors is disclosed in the Statement of Funds Under Management - by Asset Sector.
- Australian Equities A, International Equities A, Property A, Diversified Strategies Growth A and Inflation Linked Securities A asset classes are available to untaxed investors only, whereas Australian Equities B, International Equities B, Property B and Diversified Strategies Growth B asset classes are available to taxed investors only. All other asset classes, with the exception of Fixed Interest (MAC), Absolute Return (MAC), Infrastructure (MAC) and Diversified Strategies Income (MAC) (which are available to the Motor Accident Commission only), are available to both untaxed and taxed investors.

Funds SA

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Note 16 Investor Funds Under Management (continued)

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The University of Adelaide Endowment Fund	16(y)

Funds SA
Financial Statements for the year ended 30 June 2016

16(a) South Australian Superannuation Scheme – Employer Contribution Accounts

Statement of Receipts and Payments

	2016 \$'000	2015 \$'000
Funds Under Management at 1 July	2,868,746	2,819,414
Add: Receipts	363,670	388,888
Net Investment Income	97,082	280,749
	<u>460,752</u>	<u>669,637</u>
Less: Payments	<u>(600,200)</u>	<u>(620,305)</u>
Funds Under Management at 30 June	2,729,298	2,868,746

Statement of Funds Under Management - by Investment Option

Investment Option

Growth A	<u>2,729,298</u>	<u>2,868,746</u>
Funds Under Management at 30 June	2,729,298	2,868,746

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	653,985	687,304
International Equities A	657,750	735,017
Property A	391,713	413,074
Diversified Strategies Growth A	301,856	282,287
Inflation Linked Securities A	156,699	205,448
Long Term Fixed Interest	75,260	56,287
Diversified Strategies Income	427,458	394,681
Cash	<u>64,577</u>	<u>94,648</u>
Funds Under Management at 30 June	2,729,298	2,868,746

Funds SA
Financial Statements for the year ended 30 June 2016

16(b) South Australian Superannuation Fund – Old Scheme Division

Statement of Receipts and Payments

	2016 \$'000	2015 \$'000
Funds Under Management at 1 July	1,442,565	1,401,995
Add: Receipts	1,840	1,080
Net Investment Income	51,844	136,287
	<u>53,684</u>	<u>137,367</u>
Less: Payments	<u>(88,450)</u>	<u>(96,797)</u>
Funds Under Management at 30 June	1,407,799	1,442,565

Statement of Funds Under Management - by Investment Option

Investment Option

Growth A	1,407,799	1,442,565
Funds Under Management at 30 June	1,407,799	1,442,565

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	337,656	345,994
International Equities A	339,600	370,013
Property A	202,244	207,945
Diversified Strategies Growth A	154,498	140,523
Inflation Linked Securities A	80,904	103,424
Long Term Fixed Interest	38,857	28,335
Diversified Strategies Income	220,699	198,685
Cash	<u>33,341</u>	<u>47,646</u>
Funds Under Management at 30 June	1,407,799	1,442,565

Funds SA
Financial Statements for the year ended 30 June 2016

16(c) South Australian Superannuation Fund – New Scheme Division

Statement of Receipts and Payments

	2016 \$'000	2015 \$'000
Funds Under Management at 1 July	669,463	673,265
Add: Receipts	34,196	47,839
Net Investment Income	22,668	61,349
	<u>56,864</u>	<u>109,188</u>
Less: Payments	<u>(89,161)</u>	<u>(112,990)</u>
Funds Under Management at 30 June	637,166	669,463

Statement of Funds Under Management - by Investment Option

Investment Option

High Growth A	27,040	27,574
Growth A	496,941	527,848
Balanced A	42,020	42,843
Moderate A	15,375	12,758
Conservative A	25,502	29,203
Capital Defensive A	15,240	17,594
Cash A	11,905	8,288
Socially Responsible	3,143	3,355
Funds Under Management at 30 June	637,166	669,463

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	142,803	150,738
International Equities A	143,528	161,559
Property A	85,919	91,035
Diversified Strategies Growth A	62,126	57,991
Inflation Linked Securities A	40,305	51,598
Long Term Fixed Interest	19,578	15,201
Short Term Fixed Interest	10,833	12,722
Diversified Strategies Income	97,235	90,616
Cash	31,696	34,648
Socially Responsible	3,143	3,355
Funds Under Management at 30 June	637,166	669,463

Funds SA
Financial Statements for the year ended 30 June 2016

16(d) Southern State Superannuation Fund

Statement of Receipts and Payments

	2016 \$'000	2015 \$'000
Funds Under Management at 1 July	12,867,745	11,623,710
Add: Receipts	600,219	573,542
Net Investment Income	487,386	1,079,822
	<u>1,087,605</u>	<u>1,653,364</u>
Less: Payments	<u>(453,628)</u>	<u>(409,329)</u>
Funds Under Management at 30 June	13,501,722	12,867,745

Statement of Funds Under Management - by Investment Option

Investment Option		
High Growth A	943,479	919,360
Growth A	425,200	388,109
Balanced A	11,200,731	10,691,892
Moderate A	176,113	152,351
Conservative A	305,911	311,985
Capital Defensive A	167,309	165,832
Cash A	227,951	193,878
Socially Responsible	55,028	44,338
Funds Under Management at 30 June	13,501,722	12,867,745

Statement of Funds Under Management – by Asset Sector

Asset Sector		
Australian Equities A	2,840,178	2,719,066
International Equities A	2,853,231	2,926,726
Property A	1,654,139	1,583,719
Diversified Strategies Growth A	1,156,677	956,222
Inflation Linked Securities A	1,097,227	1,230,964
Long Term Fixed Interest	846,615	670,044
Short Term Fixed Interest	374,568	382,880
Diversified Strategies Income	2,038,617	1,718,376
Cash	585,442	635,410
Socially Responsible	55,028	44,338
Funds Under Management at 30 June	13,501,722	12,867,745

Funds SA
Financial Statements for the year ended 30 June 2016

16(e) Super SA Retirement Investment Fund – Super SA Flexible Rollover Product

Statement of Receipts and Payments

	2016 \$'000	2015 \$'000
Funds Under Management at 1 July	706,927	606,091
Add: Receipts	214,457	247,655
Net Investment Income	24,287	46,834
	<u>238,744</u>	<u>294,489</u>
Less: Payments	<u>(158,372)</u>	<u>(193,653)</u>
Funds Under Management at 30 June	787,299	706,927

Statement of Funds Under Management - by Investment Option

Investment Option

High Growth B	36,398	35,196
Growth B	64,201	59,832
Balanced B	346,104	320,903
Moderate B	97,418	87,762
Conservative B	93,464	82,554
Capital Defensive B	69,504	55,813
Cash B	64,986	50,717
Socially Responsible	<u>15,224</u>	<u>14,150</u>
Funds Under Management at 30 June	787,299	706,927

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities B	138,379	128,507
International Equities B	117,792	118,402
Property B	79,096	53,570
Diversified Strategies Growth B	39,024	32,684
Inflation Linked Securities B	71,112	71,232
Long Term Fixed Interest	51,343	41,228
Short Term Fixed Interest	50,366	45,358
Diversified Strategies Income	122,519	99,636
Cash	102,444	102,160
Socially Responsible	<u>15,224</u>	<u>14,150</u>
Funds Under Management at 30 June	787,299	706,927

Funds SA
Financial Statements for the year ended 30 June 2016

16(f) Super SA Retirement Investment Fund – Super SA Income Stream

Statement of Receipts and Payments

	2016 \$'000	2015 \$'000
Funds Under Management at 1 July	1,950,240	1,420,601
Add: Receipts	540,663	565,349
Net Investment Income	74,039	122,988
	<u>614,702</u>	<u>688,337</u>
Less: Payments	<u>(166,813)</u>	<u>(158,698)</u>
Funds Under Management at 30 June	2,398,129	1,950,240

Statement of Funds Under Management - by Investment Option

Investment Option

High Growth B	83,732	74,797
Growth B	144,103	117,983
Balanced B	1,088,951	893,610
Moderate B	356,863	274,764
Conservative B	388,740	322,195
Capital Defensive B	162,698	128,806
Cash B	141,493	104,324
Socially Responsible	31,549	33,761
Funds Under Management at 30 June	2,398,129	1,950,240

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities B	427,101	352,684
International Equities B	364,261	326,333
Property B	245,724	147,703
Diversified Strategies Growth B	116,561	85,842
Inflation Linked Securities B	233,022	211,378
Long Term Fixed Interest	166,078	118,748
Short Term Fixed Interest	161,660	135,685
Diversified Strategies Income	388,852	283,693
Cash	263,321	254,413
Socially Responsible	31,549	33,761
Funds Under Management at 30 June	2,398,129	1,950,240

Funds SA
Financial Statements for the year ended 30 June 2016

16(g) Parliamentary Superannuation Scheme

Statement of Receipts and Payments

	2016	2015
	\$'000	\$'000
Funds Under Management at 1 July	231,157	217,700
Add: Receipts	5,570	6,171
Net Investment Income	8,536	21,365
	<u>14,106</u>	<u>27,536</u>
Less: Payments	<u>(10,356)</u>	<u>(14,079)</u>
Funds Under Management at 30 June	234,907	231,157

Statement of Funds Under Management - by Investment Option

Investment Option

High Growth A	3,002	2,616
Growth A	217,114	216,195
Balanced A	13,130	10,797
Moderate A	460	266
Capital Defensive A	361	307
Cash A	-	333
Socially Responsible	840	643
Funds Under Management at 30 June	234,907	231,157

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	55,845	54,995
International Equities A	56,164	58,821
Property A	33,373	32,976
Diversified Strategies Growth A	25,351	22,157
Inflation Linked Securities A	13,732	16,694
Long Term Fixed Interest	6,985	4,918
Short Term Fixed Interest	441	384
Diversified Strategies Income	36,572	31,627
Cash	5,604	7,942
Socially Responsible	840	643
Funds Under Management at 30 June	234,907	231,157

Funds SA
Financial Statements for the year ended 30 June 2016

16(h) Judges' Pension Scheme

Statement of Receipts and Payments

	2016	2015
	\$'000	\$'000
Funds Under Management at 1 July	225,985	210,205
Add: Receipts	4,480	4,370
Net Investment Income	8,361	20,850
	<u>12,841</u>	<u>25,220</u>
Less: Payments	<u>(9,940)</u>	<u>(9,440)</u>
Funds Under Management at 30 June	228,886	225,985

Statement of Funds Under Management - by Investment Option

Investment Option

Growth A	228,886	225,985
Funds Under Management at 30 June	228,886	225,985

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	54,897	54,202
International Equities A	55,213	57,964
Property A	32,882	32,575
Diversified Strategies Growth A	25,119	22,014
Inflation Linked Securities A	13,154	16,202
Long Term Fixed Interest	6,318	4,439
Diversified Strategies Income	35,882	31,125
Cash	<u>5,421</u>	<u>7,464</u>
Funds Under Management at 30 June	228,886	225,985

Funds SA
Financial Statements for the year ended 30 June 2016

16(i) Governors' Pension Scheme

Statement of Receipts and Payments

	2016 \$'000	2015 \$'000
Funds Under Management at 1 July	941	1,086
Add: Receipts	10	-
Net Investment Income	27	100
	<u>37</u>	<u>100</u>
Less: Payments	<u>(275)</u>	<u>(245)</u>
Funds Under Management at 30 June	703	941

Statement of Funds Under Management - by Investment Option

Investment Option

Growth A	703	941
Funds Under Management at 30 June	703	941

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	169	226
International Equities A	170	241
Property A	101	136
Diversified Strategies Growth A	77	92
Inflation Linked Securities A	40	67
Long Term Fixed Interest	19	18
Diversified Strategies Income	110	130
Cash	17	31
Funds Under Management at 30 June	703	941

Funds SA
Financial Statements for the year ended 30 June 2016

16(j) South Australian Ambulance Service Superannuation Scheme

Statement of Receipts and Payments

	2016	2015
	\$'000	\$'000
Funds Under Management at 1 July	218,759	198,710
Add: Receipts	9,860	8,420
Net Investment Income	7,974	18,069
	<u>17,834</u>	<u>26,489</u>
Less: Payments	<u>(7,050)</u>	<u>(6,440)</u>
Funds Under Management at 30 June	229,543	218,759

Statement of Funds Under Management - by Investment Option

Investment Option

Balanced B	229,543	218,759
Funds Under Management at 30 June	229,543	218,759

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities B	52,010	49,805
International Equities B	44,105	45,239
Property B	27,838	19,810
Diversified Strategies Growth B	16,768	14,411
Inflation Linked Securities B	20,316	22,552
Long Term Fixed Interest	20,004	16,906
Short Term Fixed Interest	5,143	5,007
Diversified Strategies Income	39,223	33,548
Cash	<u>4,136</u>	<u>11,481</u>
Funds Under Management at 30 June	229,543	218,759

Funds SA
Financial Statements for the year ended 30 June 2016

16(k) Police Superannuation Scheme – Employer Contribution Account

Statement of Receipts and Payments

	2016	2015
	\$'000	\$'000
Funds Under Management at 1 July	938,576	832,394
Add: Receipts	64,009	59,900
Net Investment Income	35,685	85,091
	<u>99,694</u>	<u>144,991</u>
Less: Payments	<u>(42,340)</u>	<u>(38,809)</u>
Funds Under Management at 30 June	995,930	938,576

Statement of Funds Under Management - by Investment Option

Investment Option

Growth A	995,930	938,576
Funds Under Management at 30 June	995,930	938,576

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	238,871	225,114
International Equities A	240,245	240,741
Property A	143,075	135,295
Diversified Strategies Growth A	109,298	91,428
Inflation Linked Securities A	57,235	67,291
Long Term Fixed Interest	27,489	18,436
Diversified Strategies Income	156,130	129,271
Cash	<u>23,587</u>	<u>31,000</u>
Funds Under Management at 30 June	995,930	938,576

Funds SA
Financial Statements for the year ended 30 June 2016

16(I) Police Superannuation Fund – Old Scheme Division

Statement of Receipts and Payments

	2016 \$'000	2015 \$'000
Funds Under Management at 1 July	478,969	444,083
Add: Receipts	209	-
Net Investment Income	17,765	44,066
	<u>17,974</u>	<u>44,066</u>
Less: Payments	<u>(13,153)</u>	<u>(9,180)</u>
Funds Under Management at 30 June	483,790	478,969

Statement of Funds Under Management - by Investment Option

Investment Option

Growth A	483,790	478,969
Funds Under Management at 30 June	483,790	478,969

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	116,036	114,879
International Equities A	116,703	122,854
Property A	69,501	69,043
Diversified Strategies Growth A	53,093	46,657
Inflation Linked Securities A	27,803	34,339
Long Term Fixed Interest	13,353	9,408
Diversified Strategies Income	75,843	65,969
Cash	<u>11,458</u>	<u>15,820</u>
Funds Under Management at 30 June	483,790	478,969

Funds SA
Financial Statements for the year ended 30 June 2016

16(m) South Australian Government Financing Authority (SAICORP – Insurance Fund 1)

Statement of Receipts and Payments

	2016	2015
	\$'000	\$'000
Funds Under Management at 1 July	475,937	413,902
Add: Receipts	30,000	25,000
Net Investment Income	17,693	42,035
	<u>47,693</u>	<u>67,035</u>
Less: Payments	<u>(27,500)</u>	<u>(5,000)</u>
Funds Under Management at 30 June	496,130	475,937

Statement of Funds Under Management - by Investment Option

Investment Option

Growth A	496,130	475,937
Funds Under Management at 30 June	496,130	475,937

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	119,182	114,256
International Equities A	119,968	122,388
Property A	71,142	68,487
Diversified Strategies Growth A	54,347	46,282
Inflation Linked Securities A	28,459	34,063
Long Term Fixed Interest	13,669	9,332
Diversified Strategies Income	77,634	65,437
Cash	<u>11,729</u>	<u>15,692</u>
Funds Under Management at 30 June	496,130	475,937

Funds SA
Financial Statements for the year ended 30 June 2016

16(n) South Australian Government Financing Authority (SAICORP – Insurance Fund 2)

Statement of Receipts and Payments

	2016	2015
	\$'000	\$'000
Funds Under Management at 1 July	44,983	46,719
Add: Receipts	-	-
Net Investment Income	988	3,264
	<u>988</u>	<u>3,264</u>
Less: Payments	<u>(18,000)</u>	<u>(5,000)</u>
Funds Under Management at 30 June	27,971	44,983

Statement of Funds Under Management - by Investment Option

Investment Option

Conservative A	<u>27,971</u>	<u>44,983</u>
Funds Under Management at 30 June	27,971	44,983

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	3,554	5,546
International Equities A	3,525	6,247
Property A	2,597	4,160
Inflation Linked Securities A	4,403	7,963
Long Term Fixed Interest	1,082	1,337
Short Term Fixed Interest	4,838	7,876
Diversified Strategies Income	4,970	7,066
Cash	<u>3,002</u>	<u>4,788</u>
Funds Under Management at 30 June	27,971	44,983

Funds SA
Financial Statements for the year ended 30 June 2016

16(o) South Australian Government Financing Authority (SAICORP – Insurance Fund 3)

Statement of Receipts and Payments

	2016	2015
	\$'000	\$'000
Funds Under Management at 1 July	9,083	2,470
Add: Receipts	6,500	6,300
Net Investment Income	428	313
	<u>6,928</u>	<u>6,613</u>
Less: Payments	<u>-</u>	<u>-</u>
Funds Under Management at 30 June	16,011	9,083

Statement of Funds Under Management - by Investment Option

Investment Option

Conservative A	16,011	9,083
Funds Under Management at 30 June	16,011	9,083

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	2,034	1,120
International Equities A	2,018	1,261
Property A	1,487	840
Inflation Linked Securities A	2,521	1,608
Long Term Fixed Interest	619	270
Short Term Fixed Interest	2,769	1,590
Diversified Strategies Income	2,845	1,427
Cash	1,718	967
Funds Under Management at 30 June	16,011	9,083

Funds SA
Financial Statements for the year ended 30 June 2016

16(p) Adelaide Cemeteries Authority

Statement of Receipts and Payments

	2016	2015
	\$'000	\$'000
Funds Under Management at 1 July	4,399	4,015
Add: Receipts	500	-
Net Investment Income	511	384
	<u>1,011</u>	<u>384</u>
Less: Payments	<u>(850)</u>	<u>-</u>
Funds Under Management at 30 June	4,560	4,399

Statement of Funds Under Management - by Investment Option

Investment Option

High Growth A	3,842	3,710
Balanced A	389	-
Capital Defensive A	-	26
Cash A	329	663
Funds Under Management at 30 June	4,560	4,399

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	1,206	1,103
International Equities A	1,217	1,159
Property A	678	612
Diversified Strategies Growth A	456	361
Inflation Linked Securities A	34	3
Long Term Fixed Interest	28	1
Short Term Fixed Interest	9	9
Diversified Strategies Income	500	403
Cash	432	748
Funds Under Management at 30 June	4,560	4,399

Funds SA
Financial Statements for the year ended 30 June 2016

16(q) Motor Accident Commission Compulsory Third Party Fund

Statement of Receipts and Payments

	2016 \$'000	2015 \$'000
Funds Under Management at 1 July	2,059,726	2,593,486
Add: Receipts	226,000	96,000
Net Investment Income	89,053	163,240
	<u>315,053</u>	<u>259,240</u>
Less: Payments	<u>(474,500)</u>	<u>(793,000)</u>
Funds Under Management at 30 June	1,900,279	2,059,726

Statement of Funds Under Management - by Investment Option

Investment Option

Motor Accident Commission A	1,900,279	2,059,726
Funds Under Management at 30 June	1,900,279	2,059,726

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	170,299	219,757
International Equities A	166,010	216,174
Inflation Linked Securities A	-	55,281
Fixed Interest (MAC)	504,352	726,068
Diversified Strategies Income (MAC)	794,055	660,134
Infrastructure (MAC)	152,333	133,855
Absolute Return (MAC)	31,965	34,660
Cash	81,265	13,797
Funds Under Management at 30 June	1,900,279	2,059,726

Funds SA
Financial Statements for the year ended 30 June 2016

16(r) South Australian Metropolitan Fire Service Superannuation Scheme

Statement of Receipts and Payments

	2016	2015
	\$'000	\$'000
Funds Under Management at 1 July	322,305	294,716
Add: Receipts	28,478	30,369
Net Investment Income	11,148	26,660
	<u>39,626</u>	<u>57,029</u>
Less: Payments	<u>(29,908)</u>	<u>(29,440)</u>
Funds Under Management at 30 June	332,023	322,305

Statement of Funds Under Management - by Investment Option

Investment Option

High Growth B	2,026	1,908
Growth B	263,016	258,426
Balanced B	2,377	2,590
Moderate B	3,256	3,712
Conservative B	55,130	51,584
Capital Defensive B	4,568	2,748
Cash B	<u>1,650</u>	<u>1,337</u>
Funds Under Management at 30 June	332,023	322,305

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities B	76,547	74,200
International Equities B	67,117	68,176
Property B	43,931	33,055
Diversified Strategies Growth B	25,414	23,071
Inflation Linked Securities B	25,469	29,355
Diversified Strategies Income	57,155	49,663
Long Term Fixed Interest	15,137	12,742
Short Term Fixed Interest	11,125	10,159
Cash	<u>10,128</u>	<u>21,884</u>
Funds Under Management at 30 June	332,023	322,305

Funds SA
Financial Statements for the year ended 30 June 2016

16(s) Super SA Select

Statement of Receipts and Payments

	2016 \$'000	2015 \$'000
Funds Under Management at 1 July	2,697	2,000
Add: Receipts	1,060	925
Net Investment Income	97	181
	<u>1,157</u>	<u>1,106</u>
Less: Payments	<u>(642)</u>	<u>(409)</u>
Funds Under Management at 30 June	3,212	2,697

Statement of Funds Under Management - by Investment Option

Investment Option

Balanced B	2,868	2,448
Cash B	<u>344</u>	<u>249</u>
Funds Under Management at 30 June	3,212	2,697

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities B	650	557
International Equities B	551	506
Property B	348	222
Diversified Strategies Growth B	210	161
Inflation Linked Securities B	254	252
Diversified Strategies Income	490	376
Long Term Fixed Interest	250	189
Short Term Fixed Interest	64	56
Cash	<u>395</u>	<u>378</u>
Funds Under Management at 30 June	3,212	2,697

Funds SA
Financial Statements for the year ended 30 June 2016

16(t) Lifetime Support Authority

Statement of Receipts and Payments

	2016	2015
	\$'000	\$'000
Funds Under Management at 1 July	165,435	-
Add: Receipts	118,000	160,000
Net Investment Income	9,508	5,435
	<u>127,508</u>	<u>165,435</u>
Less: Payments	<u>-</u>	<u>-</u>
Funds Under Management at 30 June	292,943	165,435

Statement of Funds Under Management - by Investment Option

Investment Option

Moderate A	<u>292,943</u>	<u>165,435</u>
Funds Under Management at 30 June	292,943	165,435

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	47,927	27,268
International Equities A	47,875	29,889
Property A	30,096	17,005
Diversified Strategies Growth A	16,797	7,639
Inflation Linked Securities A	34,386	22,687
Diversified Strategies Income	48,962	24,365
Long Term Fixed Interest	24,344	11,559
Short Term Fixed Interest	18,606	10,738
Cash	<u>23,950</u>	<u>14,285</u>
Funds Under Management at 30 June	292,943	165,435

Funds SA
Financial Statements for the year ended 30 June 2016

16(u) Health Services Charitable Gifts Board – Pool Investment

Statement of Receipts and Payments

	2016	2015
	\$'000	\$'000
Funds Under Management at 1 July	61,027	-
Add: Receipts	19,000	85,231
Net Investment Income	2,313	(954)
	<u>21,313</u>	<u>84,277</u>
Less: Payments	<u>(12,500)</u>	<u>(23,250)</u>
Funds Under Management at 30 June	69,840	61,027

Statement of Funds Under Management - by Investment Option

Investment Option

Growth B	10,240	-
Balanced B	40,743	41,834
Capital Defensive B	16,325	19,193
Cash B	2,532	-
Funds Under Management at 30 June	69,840	61,027

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities B	12,846	10,788
International Equities B	10,745	9,880
Property B	7,300	4,383
Diversified Strategies Growth B	3,943	2,754
Inflation Linked Securities B	6,629	6,882
Diversified Strategies Income	11,623	9,468
Long Term Fixed Interest	4,877	4,134
Short Term Fixed Interest	5,680	7,168
Cash	6,197	5,570
Funds Under Management at 30 June	69,840	61,027

Funds SA
Financial Statements for the year ended 30 June 2016

16(v) Health Services Charitable Gifts Board – South Australian Health and Medical Research Institute Charitable Trust

Statement of Receipts and Payments

	2016	2015
	\$'000	\$'000
Funds Under Management at 1 July	12,138	-
Add: Receipts	8,279	12,462
Net Investment Income	197	(59)
	<u>8,476</u>	<u>12,403</u>
Less: Payments	<u>(12,211)</u>	<u>(265)</u>
Funds Under Management at 30 June	8,403	12,138

Statement of Funds Under Management - by Investment Option

Investment Option

Capital Defensive B	-	12,138
Cash B	<u>8,403</u>	<u>-</u>
Funds Under Management at 30 June	8,403	12,138

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities B	-	800
International Equities B	-	768
Property B	-	377
Inflation Linked Securities B	-	1,626
Diversified Strategies Income	-	1,933
Long Term Fixed Interest	-	571
Short Term Fixed Interest	-	3,928
Cash	<u>8,403</u>	<u>2,135</u>
Funds Under Management at 30 June	8,403	12,138

Funds SA
Financial Statements for the year ended 30 June 2016

16(w) Health Services Charitable Gifts Board – Ray and Shirl Norman Cancer Research Trust

Statement of Receipts and Payments

	2016	2015
	\$'000	\$'000
Funds Under Management at 1 July	6,395	-
Add: Receipts	625	6,827
Net Investment Income	240	(96)
	<u>865</u>	<u>6,731</u>
Less: Payments	<u>(750)</u>	<u>(336)</u>
Funds Under Management at 30 June	6,510	6,395

Statement of Funds Under Management - by Investment Option

Investment Option

Growth B	6,255	5,496
Cash B	255	899
Funds Under Management at 30 June	6,510	6,395

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities B	1,613	1,398
International Equities B	1,424	1,279
Property B	900	618
Diversified Strategies Growth B	592	480
Inflation Linked Securities B	367	409
Diversified Strategies Income	1,060	834
Long Term Fixed Interest	270	205
Cash	284	1,172
Funds Under Management at 30 June	6,510	6,395

Funds SA
Financial Statements for the year ended 30 June 2016

16(x) Health Services Charitable Gifts Board – DE Brown Trust

Statement of Receipts and Payments

	2016	2015
	\$'000	\$'000
Funds Under Management at 1 July	-	-
Add: Receipts	291	-
Net Investment Income	10	-
	<u>301</u>	<u>-</u>
Less: Payments	<u>-</u>	<u>-</u>
Funds Under Management at 30 June	<u>301</u>	<u>-</u>

Statement of Funds Under Management - by Investment Option

Investment Option

Conservative B	301	-
	<u>301</u>	<u>-</u>
Funds Under Management at 30 June	<u>301</u>	<u>-</u>

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities B	37	-
International Equities B	31	-
Property B	27	-
Inflation Linked Securities B	48	-
Diversified Strategies Income	57	-
Long Term Fixed Interest	16	-
Short Term Fixed Interest	52	-
Cash	33	-
	<u>301</u>	<u>-</u>
Funds Under Management at 30 June	<u>301</u>	<u>-</u>

Funds SA
Financial Statements for the year ended 30 June 2016

16(y) **The University of Adelaide Endowment Trust**

Statement of Receipts and Payments

	2016	2015
	\$'000	\$'000
Funds Under Management at 1 July	-	-
Add: Receipts	156,621	-
Net Investment Income	(386)	-
	<u>156,235</u>	<u>-</u>
Less: Payments	<u>-</u>	<u>-</u>
Funds Under Management at 30 June	<u>156,235</u>	<u>-</u>

Statement of Funds Under Management – by Investment Option

Investment Option

High Growth B	156,235	-
	<u>156,235</u>	<u>-</u>
Funds Under Management at 30 June	<u>156,235</u>	<u>-</u>

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities B	50,411	-
International Equities B	43,277	-
Property B	26,080	-
Diversified Strategies Growth B	14,790	-
Diversified Strategies Income	19,699	-
Cash	<u>1,978</u>	<u>-</u>
Funds Under Management at 30 June	<u>156,235</u>	<u>-</u>

Funds SA
Financial Statements for the year ended 30 June 2016

Certification of the Financial Statements

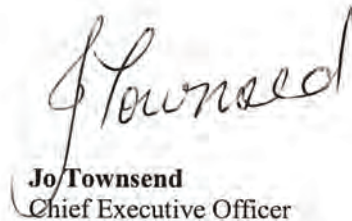
We certify that the attached general purpose financial statements for Funds SA:

- comply with any 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 Funds SA; and
- present a true and fair view of the financial position of Funds SA 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 Funds SA 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 Funds SA will be able to pay its debts as and when they become due and payable.



John Piteo
Chief Operating Officer

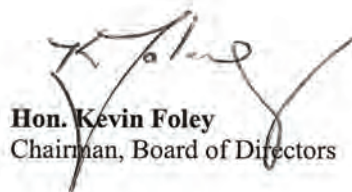


Jo Townsend
Chief Executive Officer

Approved by a resolution of the Board of Directors dated 12th September 2016.



Kathryn Presser
Director, Chair of Audit and Risk Committee



Hon. Kevin Foley
Chairman, Board of Directors

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chairman Superannuation Funds Management Corporation of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 28 of the *Superannuation Funds Management Corporation of South Australia Act 1995*, I have audited the accompanying financial report of the Superannuation Funds Management Corporation 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
- Schedule 1: Asset Sector Funds Under Management for the year ended 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman, a Director, the Chief Executive Officer and the Chief Operating Officer.

The Directors of the Superannuation Funds Management Corporation of South Australia's responsibility for the financial report

The directors of the Superannuation Funds Management Corporation 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 directors of the Superannuation Funds Management Corporation 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.

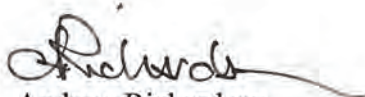
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. 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 the directors of the Superannuation Funds Management Corporation 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 the Superannuation Funds Management Corporation 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 Superannuation Funds Management Corporation 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

South Australian Superannuation Board

Financial report
for the year ended
30 June 2016

South Australian Superannuation Board

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Expenses			
Administration expenses	4	20 266	18 285
Other expenses	5	137	20
Total expenses		20 403	18 305
Income			
Fees and charges	6	17 168	18 400
Interest revenues	7	260	307
Total income		17 428	18 707
Total comprehensive result	11	(2 975)	402

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	8	14 828	14 836
Receivables	9	591	43
Non current assets			
Loan Receivable	9, 17	533	524
Total assets		15 952	15 403
Current liabilities			
Payables	10	5 008	1 484
Total liabilities		5 008	1 484
Net assets		10 944	13 919
Equity			
Retained earnings	11	533	524
Reserves	11	10 411	13 395
Total Equity		10 944	13 919

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

South Australian Superannuation Board

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Note	Retained earnings \$'000	Reserves \$'000	Total \$'000
Balance at 30 June 2014		512	13 005	13 517
Total comprehensive result for 2014-15		402	-	402
Transferred to reserves		(390)	390	-
Balance at 30 June 2015		524	13 395	13 919
Total comprehensive result for 2015-16		(2 975)	-	(2 975)
Transferred from reserves		2 984	(2 984)	-
Balance at 30 June 2016	11	533	10 411	10 944

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 \$'000	2015 \$'000
Cash flows from operating activities			
Cash outflows			
Administration expenses paid		(18 764)	(17 338)
Other expenses		(153)	(17)
GST paid to the ATO		(234)	-
Cash (used in) operations		(19 151)	(17 355)
Cash inflows			
Interest received		253	296
Fees and charges paid		18 890	18 397
Cash generated from operations		19 143	18 693
Net cash (used in)/provided by operating activities	13	(8)	1 338
Net (decrease)/increase in cash and cash equivalents		(8)	1 338
Cash and cash equivalents at the beginning of the period		14 836	13 498
Cash and cash equivalents at the end of the period	8, 13	14 828	14 836

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

South Australian Superannuation Board

Note 1 Objectives and funding

a) Objectives of the South Australian Superannuation Board

The South Australian Superannuation Board (the Board) was established under Section 6 of the *Superannuation Act 1988* (the Act) and is responsible to the Minister for Finance for all aspects of the administration of the Act (Pension and Lump Sum schemes), and the *Southern State Superannuation Act 2009* (Triple S Scheme, Flexible Rollover Product and Income Stream), except for investment matters relating to the schemes and products. Under clause 2(1)(d) of Schedule 3 of the Act, the Treasurer declared that the Board act as Trustee of the SA Ambulance Service Superannuation Scheme and be responsible for administering the Trust Deed and Rules.

The Act provides that the Board may make use of the staff or facilities of an administrative unit of the SA Public Sector. The State Superannuation Office, a branch of the Department of Treasury and Finance, provides administrative services to the Board. The State Superannuation Office adopts the "Super SA" name as administrator of the Board schemes and products. The superannuation legislation also provides for the Board to charge administration costs.

The Board is responsible for payment of the Service Level Agreement (SLA) Fee to the Department of Treasury and Finance for costs incurred in the administration of the schemes and products. This amount is then recouped from the various schemes and products as per the SLA.

The Board has carefully considered anticipated future expenditure and sets aside money to cover expected future specific costs.

Note 2 Summary of significant accounting policies

a) Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards, Treasurer's Instructions and Accounting Policy Statements promulgated under the provision 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. 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. 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 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:
 - 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. A threshold of \$100,000 for separate identification of these items applies.
 - 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 as otherwise noted.

South Australian Superannuation Board

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 comparative information is 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 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 applicable, the restated comparative amounts do not replace the original financial statements for the preceding period.

d) Rounding

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

e) Taxation

The Board is not subject to income tax. The Board was first registered for Goods and Services Tax (GST) in 2015-16 and GST is recoverable and payable to the Australian Taxation Office (ATO).

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 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.

f) 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.

g) Income and expenses

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the 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.

The following are specific recognition criteria:

Income

Fees and charges are derived from the recovery of administration fees from the superannuation schemes and products which the Board administers. Revenue is recognised when earned.

South Australian Superannuation Board

Interest comprises of the interest received on the loan to the Minister for Finance and cash held in the Board's Deposit Account, with the Department of Treasury and Finance, which receives interest at the applicable SA Government rate. Interest is recognised when it is earned.

Expenses

Administration expenses are the payment of the administration fees to the Department of Treasury and Finance for the provision of services to the Board. This expense is recognised upon delivery of the service.

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 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.

i) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes deposits held in a Deposit Account held with the Treasurer.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consists of cash and cash equivalents as outlined above.

Cash is measured at nominal value.

j) Receivables

Receivables include amounts owing from services provided prior to the end of the reporting period that are unpaid at the end of the reporting period. Receivables include all amounts not received relating to the normal operations of the Board.

Refer to note 17 regarding the Loan Receivable.

k) Payables

Payables include creditors and accrued expenses.

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

Accrued expenses represent 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, as per Treasurer's Instruction 11.

Note 3 New and revised accounting standards and policies

The Board 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 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.

South Australian Superannuation Board

Note 4 Administration expenses

	2016	2015
	\$'000	\$'000
Administration fees	18 230	18 285
ICT Projects	2 036	-
Total administration expenses	20 266	18 285

Note 5 Other expenses

	2016	2015
	\$'000	\$'000
Other expenses ⁽ⁱ⁾	137	20
Total other expenses	137	20

(i) Other expenses includes amounts paid or due and payable to the Auditor-General's Department for the audit of the Board for the reporting period which were \$15,000 (2015 \$14,000). No other services have been provided by the Auditor-General's Department.

Note 6 Fees and charges

	2016	2015
	\$'000	\$'000
Recovery of administration fees	17 168	18 400
Total fees and charges	17 168	18 400

Note 7 Interest revenues

	2016	2015
	\$'000	\$'000
Deposit Account held with the Treasurer	251	295
Loan to Southern Select Super Corporation ⁽ⁱ⁾	9	12
Total interest revenues	260	307

(i) Refer note 17

Note 8 Cash and cash equivalents

	2016	2015
	\$'000	\$'000
Cash at bank	14 828	14 836
Total cash and cash equivalents	14 828	14 836

Interest Rate Risk

Cash at bank, which represents deposits held with the Treasurer, earns a floating interest rate, based on the daily bank deposit rate. The carrying amount of cash and cash equivalents represents fair value.

South Australian Superannuation Board

Note 9 Receivables

	2016	2015
	\$'000	\$'000
Current Receivables		
GST input tax recoverable	554	-
Sundry debtors	20	23
Audit fee recovery	17	20
Total Current Receivables	<u>591</u>	<u>43</u>
Non-Current Receivables		
Loan Receivable ⁽ⁱ⁾	533	524
Total Non-Current Receivables	<u>533</u>	<u>524</u>
Total receivables	<u>1 124</u>	<u>567</u>

All current receivables will be settled within 12 months of the reporting date.

(i) Refer note 17

Note 10 Payables

	2016	2015
	\$'000	\$'000
Audit fee payable	17	20
Administration fees payable	2 751	1 464
ICT Projects fees payable	2 240	-
Total payables	<u>5 008</u>	<u>1 484</u>

All payables are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Note 11 Retained earnings and reserves

	Opening Balance \$'000	Total Comprehensive Result \$'000	Transfers From Reserve \$'000	2016 \$'000	2015 \$'000
Retained Earnings	524	(2 975)	2 984	533	524
Reserves	Opening Balance \$'000	Transfers To Reserve \$'000	Transfers From Reserve \$'000	2016 \$'000	2015 \$'000
General Reserve ⁽ⁱ⁾	13 395	-	(2 984)	10 411	13 395
Total Reserves	13 395	-	(2 984)	10 411	13 395

- i. The *General Reserve* was established in December 2013. The funding was received by transferring the 31 December 2013 balances of the *Board Election Reserve*, *Office Administration Reserve* and the *Capital and Development Reserve* into the *General Reserve*. The Transfers from Reserve amount represents ICT Projects expenditure and SLA fee expenditure from 2015-16, partially offset by interest allocated from July 2015 to June 2016.

The purpose of the *General Reserve* is to account for under and over spend in office expenditure, to provide for project expenditure as required from time to time and to provide funding for the triennial Board Election.

South Australian Superannuation Board

Note 12 Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2015-16 financial year were:

The South Australian Superannuation Board

Philip Jackson (Presiding Member)
 Bill Griggs* (Re-elected 2/10/15)
 Virginia Deegan (Re-appointed 23/07/15)
 Jan McMahon (Re-elected 2/10/15)
 Deborah Black (Appointment expired 11/07/15)
 Donald Edward Farrell (Appointed 23/07/15 / Resigned 27/05/16)
 Aaron Chia* (Deputy Member - Re-appointed 11/11/15)
 Liz Hlipala* (Deputy Member - Re-appointed 23/07/15)
 Leah York** (Deputy Member - Re-appointed 11/11/15)
 John Wright*** (Deputy Member - Re-appointed 23/07/15 / Appointment ceased 27/05/16 upon the resignation of Donald Edward Farrell)

The South Australian Superannuation Board Audit, Risk and Finance Committee

Virginia Deegan (Convenor of Meetings)
 Philip Jackson (Presiding Member)
 John Wright

The South Australian Superannuation Board Member Services Committee

Jan McMahon (Convenor of Meetings)
 Leah York
 Bill Griggs*
 John Montague*

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

	2016	2015
\$0 - \$9 999	6	5
\$20 000 - \$29 999	3	3
\$30 000 - \$39 999	-	1
\$40 000 - \$49 999	1	-
Total number of members	10	9

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 \$153,000 (2015 \$140,000).

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

* In accordance with the Department of Premier and Cabinet Circular Number 016, government employees did not receive any remuneration for board/committee duties during the financial year.

** Ms L York is a deputy for Jan McMahon and was eligible for sitting fees for attending meetings during the year.

*** Mr J Wright was a deputy for Deborah Black and Donald Farrell and was eligible for sitting fees for attending meetings during the period 1 July 2015 to 27 May 2016.

South Australian Superannuation Board

Note 13 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	<u>14 828</u>	<u>14 836</u>
Balance as per the Statement of Cash Flows	<u>14 828</u>	<u>14 836</u>
Reconciliation of total comprehensive result to net cash provided by operating activities:		
Total comprehensive result	(2 975)	402
Movement in operational assets and liabilities		
(Increase) in receivables	(557)	(14)
Increase in payables	<u>3 524</u>	<u>950</u>
Net cash (used in)/provided by operating activities	<u>(8)</u>	<u>1 338</u>

Note 14 Financial instruments

The Board holds all cash in a Deposit Account with the Treasurer which receives interest at the applicable SA Government rate. The Board's current receivables and payables are non-interest bearing, while its Loan Receivable is interest bearing. There are no fair value differences as carrying values approximate fair value and there is minimal exposure to interest rate or market risk due to the nature of the financial assets and liabilities held.

The Board does not have any assets that are past, due or impaired and credit risk is limited to the Southern Select Corporation Loan Arrangement (Refer Note 17)

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

Note 15 Transactions with SA Government

	SA Government		Non-SA Government		Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total Expenses	20 275	18 305	128	-	20 403	18 305
Total Income	17 428	18 707	-	-	17 428	18 707
Receivables	570	567	554	-	1 124	567
Payables	5 008	1 484	-	-	5 008	1 484

Note 16 Events after the reporting period

There were no significant events after the reporting period.

South Australian Superannuation Board

Note 17 Southern Select Corporation Loan Arrangement

At the 8 June 2012 Board meeting, the Board agreed to provide funding of \$500,000 from its then Capital and Development Reserve account for the purpose of establishing a new fund; Super SA Select (the Fund).

The terms of the loan are set out in Schedule 2 of the *Public Corporations (Southern Select Super Corporation) Regulations 2012* (the Regulations) and the tri-partite Funding Deed between the Board, the Minister for Finance and the Southern Select Super Corporation (the Trustee). The Funding Deed was executed on 28 June 2013 with a drawdown date of 5 July 2013.

The repayment of the loan by the Trustee from the Fund, together with interest, will be in accordance with Schedule 2 of the Regulations. If at the end of the financial year the Fund has a net surplus, defined as Net Assets exceeding Liability for Accrued Benefits Allocated to Members' Accounts, the interest receivable in that year must be received on or before 31 July of the following financial year. If the Fund does not have a net surplus at the end of the financial year, the interest receivable for that year will be capitalised into the principal amount receivable. At the end of 2015-16 the Fund did not have a net surplus, therefore the amount of interest capitalised into the principal amount receivable was \$9,000 (2015 \$12,000).

Principal repayments are required when administration fees charged to members of the Fund for the financial year exceed the cost of the administration of the Fund (other than investment management charges). For 2015-16 there was no principal repayment required (refer to the Fund's Financial Report) (2015 Nil).

Note 18 ICT Solution Project

The Office utilises a range of different Information and Communications Technology (ICT) systems to administer its superannuation schemes. The ICT systems currently in use are nearing end-of-life. They also present escalating integration complexities and resource efforts associated with each application's ongoing administration.

The Office established the ICT Solution Project to identify, procure and implement a Commercial-off-the-shelf superannuation administration ICT system that addresses the above limitations by replacing existing legacy ICT systems and expanding the current functionality.

DST Bluedoor Pty Limited was engaged as the preferred respondent for the implementation of the new ICT System which will be overseen and governed by the Super SA Board.

The ICT Solution Project officially commenced in February 2016 and will be implemented in two phases. All schemes and functionality is scheduled to be implemented by the end of 2017.

The funding for the implementation of the project is apportioned across all schemes based on membership. The Board administered schemes will provide funding via the General Reserve, Triple S Insurance Reserve, Triple S Administration Reserve and the Retirement Investment Fund Administration Reserve.

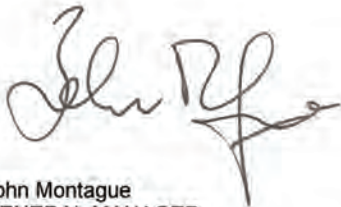
South Australian Superannuation Board

Certification of the financial statements

We certify that the attached general purpose financial statements for the South Australian Superannuation Board (the Board):

- comply with any relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and any 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 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 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.



John Montague
GENERAL MANAGER
STATE SUPERANNUATION OFFICE



Annette Hurley
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Mark Carpinelli
MANAGER FINANCIAL SERVICES
STATE SUPERANNUATION OFFICE

Date 14 / Sep / 2016



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**To the Presiding Member
South Australian Superannuation Board**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the accompanying financial report of the South Australian Superannuation 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 Presiding Member of the South Australian Superannuation Board, General Manager, State Superannuation Office and the Manager, Financial Services, State Superannuation Office.

**The members of the South Australian Superannuation Board's
responsibility for the financial report**

The members of the South Australian Superannuation 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 South Australian Superannuation 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.

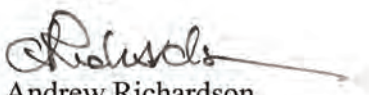
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. 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 South Australian Superannuation 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 State Superannuation Office's (Super SA) 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 South Australian Superannuation 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

20 September 2016

South Australian Superannuation Scheme

Financial report
for the year ended
30 June 2016

South Australian Superannuation Scheme
Operating Statement for the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
INVESTMENT AND OTHER REVENUE:			
Investment Revenue		205 239	513 308
Other Revenue	17	37 570	36 261
CONTRIBUTION REVENUE:			
Contributions for Past Service Liability	1(d), 14	353 254	360 195
Contributions by Employers	15	56 739	65 365
Contributions by Members		19 419	22 297
Rollovers from Other Schemes		1 366	1 424
Government Co-Contributions	18	36	46
Total Contribution Revenue		430 814	449 327
Total Revenue		673 623	998 896
EXPENSES:			
Direct Investment Expenses	4	33 645	34 923
Co-Contributions Transferred to Other Scheme	18	36	46
Higher Education Superannuation Costs	20	9 094	8 993
Administration Expenses	5	2 339	2 780
Benefits Expense	8	595 721	689 770
Total Expenses		640 835	736 512
OPERATING RESULT FOR THE PERIOD		32 788	262 384

The Operating Statement should be read in conjunction with the accompanying notes

Statement of Financial Position as at 30 June 2016

	Note	2016 \$'000	2015 \$'000
INVESTMENTS:			
Inflation Linked Securities A		277 908	360 469
Property A		679 876	712 054
Australian Equities A		1 134 445	1 184 035
International Equities A		1 140 877	1 266 589
Long Term Fixed Interest		133 694	99 824
Short Term Fixed Interest		10 833	12 722
Diversified Strategies - Growth A		518 480	480 801
Diversified Strategies - Income		745 392	683 983
Cash		129 615	176 942
Socially Responsible		3 143	3 355
	10	4 774 263	4 980 774
OTHER ASSETS:			
Cash and Cash Equivalents	12	4 014	5 628
Contributions Receivable	3	917	1 922
Other Revenue Receivable	16	5 304	5 614
Receivables	19	528	412
Prepaid Benefits		58	-
Total Assets		10 821	13 576
CURRENT LIABILITIES:			
Benefits Payable		18 685	27 175
Payables	13	894	91
Total Liabilities		19 579	27 266
NET ASSETS AVAILABLE TO PAY BENEFITS	6	4 765 505	4 967 084
Less: LIABILITY FOR ACCRUED BENEFITS	8	10 063 986	10 298 353
EXCESS OF LIABILITIES OVER NET ASSETS		(5 298 481)	(5 331 269)

The Statement of Financial Position should be read in conjunction with the accompanying notes

South Australian Superannuation Scheme

Statement of Cash Flows for the year ended 30 June 2016

	Note	Inflows (Outflows) \$'000	2016 Inflows (Outflows) \$'000	2015 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Contributions Received:				
Contributions for Past Service Liability		354 014		360 925
Contributions by Employers		57 522		65 463
Contributions by Members		19 641		22 288
Rollovers from Other Schemes		2 158		1 424
Government Co-Contributions		36		46
			433 371	450 146
GST Recovered from the ATO			142	149
Other Income:				
Reimbursement from Other Sources:				
Public Authorities		36 928		38 137
Temporary Disability Reimbursements		72		84
Interest Received		123		210
			37 123	38 431
Benefits Paid:				
Pensions		(611 903)		(598 284)
Commutation of Pension Benefits		(11 127)		(28 034)
Lump Sums		(215 662)		(246 445)
			(838 692)	(872 763)
Administration Expenses Paid			(2 533)	(2 867)
Co-Contributions Transferred to Other Scheme			(36)	(46)
Higher Education Superannuation Costs			(9 094)	(8 992)
Net Cash (used in) Operating Activities	11		(379 719)	(395 942)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Receipts from Funds SA			776 791	826 054
Payments to Funds SA			(398 686)	(433 769)
Net Cash provided by Investing Activities			378 105	392 285
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS HELD			(1 614)	(3 657)
CASH AND CASH EQUIVALENTS AT 1 JULY			5 628	9 285
CASH AND CASH EQUIVALENTS AT 30 JUNE	12		4 014	5 628

South Australian Superannuation Scheme

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) *South Australian Superannuation Scheme*

The South Australian Superannuation Scheme (the Scheme) is a voluntary superannuation scheme which exists pursuant to the *Superannuation Act 1988* (the Act). It previously existed in different forms under various other legislation. The Act provides for superannuation benefits for persons employed by the SA Government and other prescribed persons and makes provisions for the families of such persons. It is not available to Members of Parliament, the judiciary or to police officers who are each provided for under separate legislation.

Contributors to the Scheme may be either old scheme contributors, who are entitled to a pension based benefit, or new scheme contributors who are entitled to a lump sum based benefit. The old scheme contributors segment of the Scheme was closed to new members in May 1986. The new scheme contributors segment of the scheme was closed to new members in May 1994.

Contributors make contributions from after tax salary based on a percentage of their salary, with the standard contribution rate being between 5 and 6 percent. Contributors may elect to vary their contribution rate in accordance with section 23 of the Act. A contribution account is maintained for each contributor. If a member ceases to contribute they will be automatically covered by the Southern State Superannuation Scheme (Triple S), to meet the minimum requirements of the Commonwealth legislation. At this point the member will be recognised as a Triple S member and their Scheme account will be maintained to reflect the contribution points previously accrued.

Since October 1989, the Act has required that contributions be paid to the Treasurer, who in turn deposits those contributions into the South Australian Superannuation Fund (the Fund), which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Act requires the Fund to be treated as being made up of two divisions, being the Old Scheme Division and the New Scheme Division. Each division consists of the contributions and the accretions arising from the investment of those contributions in respect of relevant old or new scheme contributors. Consistent with the accounts of the Fund the accounts of the Scheme are also maintained in respect of each division.

(b) *South Australian Superannuation Board*

The Act charges the South Australian Superannuation Board (the Board), a body corporate, with responsibility for all aspects of the administration of the Act except for the management and investment of the Fund. The Act also provides the Board with the necessary powers to administer the Scheme. The Board has contracted the Department of Treasury and Finance (DTF) to provide administrative services in accordance with the Act. A portion of the administrative costs are recovered from the Scheme. The Board's financial report provides the total administration cost paid to DTF.

Under the Act, the Board is required to determine rates of return to be credited to each division of the Fund, with those rates being credited to each contribution account at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by Funds SA for each division of the Fund.

(c) *Superannuation Funds Management Corporation of South Australia*

Funds SA is a SA Government Entity established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Fund and the South Australian Superannuation Scheme Contribution Account (the Account), reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expense contained in this financial report are related to the investment activities of Funds SA.

(d) *Funding Arrangements*

Under section 20B of the Act, any payment made to a contributor must be made out of the Consolidated Account or a Special Deposit Account with DTF established for that purpose. The Treasurer may subsequently reimburse the Consolidated Account or Special Deposit Account from the Fund the proportion of any such payment charged against the contributor's contribution account. The prescribed proportion of that payment or benefit payments to be charged to the old scheme contributor's accounts is determined by the Board in accordance with section 47C and 47D of the Act. During the year ended 30 June 2016 all payments were made from the Special Deposit Account.

The Treasurer may also seek reimbursement of the employer portion of any such payments from certain employer bodies under agreements made between the Treasurer and/or the Board and those employer bodies. The employer portion of benefits is met from the Account established by the Treasurer to record employer superannuation contributions. The employer portion of payments may be in relation to State Government Departments, Statutory Authorities and former State Government employees now employed by the Commonwealth Government. Employer contributions for these agencies were 26 percent (2015 26 percent) for old scheme contributors and 14.75 percent (2015 14.75 percent) for new scheme contributors.

Funding for the employer portion of payments met from the Account is from monies deposited under arrangements with respective employers. Monies deposited in the Account are invested and managed by Funds SA but do not form part of the Fund. The Treasurer seeks reimbursement from the Account balances as benefits are paid. The arrangements with employers are:

South Australian Superannuation Scheme

Funding Arrangements (Continued)

(i) State Government Departments

State Government Departments pay fortnightly employer contributions to the Treasurer for their emerging superannuation liabilities which are deposited by the Treasurer into the Account. During the reporting period \$41.444 million (2015 \$48.366 million) was received or receivable from State Government Departments.

Since 30 June 1994 the Government has commenced a process of funding its accrued past service superannuation liabilities. During the year ended 30 June 2016 the Government transferred a total of \$350.0 million (2015 \$356.7 million) into the Account. Current Government policy is that it will continue to pay contributions to the Account to meet the accrued past service liability so that the liability will be fully funded by 30 June 2034.

(ii) Statutory Authorities

Where the employer proportion of a payment relates to Statutory Authorities, three different funding arrangements exist. These arrangements are made by the Board, which has entered into agreements with individual authorities pursuant to section 5 of the Act. The terms agreed in any such arrangements must be approved by the Minister. The three arrangements are:

- **State Government Liability for Statutory Authorities**

These authorities have made arrangements with the Board to fund their emerging superannuation liabilities by making regular payments to the Treasurer based on an actuarial assessment. These monies are deposited in the Account. In addition, the Government has commenced a process of funding the past service superannuation liability for these authorities as outlined in Note 1(d)(i).

- **Employer Contribution Accounts**

Certain public sector employers have made arrangements with the Board to fund their superannuation liabilities by making regular payments to the Treasurer based on an actuarial assessment performed every three years. The Treasurer deposits these monies in the Account into what are referred to as the Employer Contribution Accounts. The Treasurer seeks reimbursement from the Employer Contribution Account balances as benefits are paid.

Contributions of \$2.592 million (2015 \$2.492 million) have also been received from SA Water, \$571,000 (2015 \$549,000) from WorkCoverSA and \$90,500 (2015 \$454,500) from Forestry SA to fund their accrued superannuation liabilities.

- **Public Authorities Accounts (Universities)**

Some public authorities make provisions in their own accounts for their future superannuation liabilities and no balances are maintained in the Account. The Treasurer seeks reimbursement from the Account in the first instance and simultaneously seeks reimbursement directly from these authorities as benefits are paid.

Of the total contributions received from Statutory Authorities, \$14.683 million (2015 \$16.692 million) relates to amounts received or receivable from SA Government entities and \$612 000 (2015 \$307 000) relates to amounts received from non SA Government entities.

The liability for future benefits is funded to the extent of benefits to be reimbursed from the Fund, the Account, and the Public Authorities Accounts referred to in Note 1(d)(ii) above. The liability for future benefits is only partially funded in respect of benefits to be reimbursed from State Government Departments and the State Government liability for Statutory Authorities. The net assets figure shown in this report represents the amount available to meet these future benefits.

Refer to notes 14 and 15 for tables showing breakdown of revenue.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

This financial report is a general purpose financial report. The accounts have been prepared in accordance with relevant Australian Accounting Standards, Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*, except as provided below.

AAS 25 "Financial Reporting by Superannuation Plans" is the principal standard applied in preparing this financial report. Other Accounting Standards are also applied where necessary except to the extent that they differ from AAS 25.

This financial report has been prepared on an accrual basis where this can be reliably measured. This is in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

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

New Accounting Standard

On 5 June 2014, the Australian Accounting Standards Board (AASB) approved the new Accounting Standard AASB 1056 "Superannuation Entities" for adoption on 1 July 2016. The Standard replaces AAS 25 "Financial Reporting by Superannuation Plans" and comprehensively reforms the General Purpose Financial Reporting requirements applicable to superannuation entities.

Key changes resulting from the adoption of AASB 1056 include:

- Preparation of additional financial statements including statement of changes in member benefits and statement of changes in equity;
- Broadly applying presentation principles and requirements of applicable Australian Accounting Standards as opposed to the requirements of AAS 25 that overrode certain requirements. This includes measuring assets and liabilities (previously measured at net market value) to fair value. Changes in fair value are to be reported in the income statement.

South Australian Superannuation Scheme

Summary of Significant Accounting Policies (Continued)

(b) Investments

The basis for the valuation of investments is provided below. Investments are measured at net market value, as provided by Funds SA.

(i) Inflation Linked Securities A

The Inflation Linked Securities portfolio invests in discretely managed portfolios and internal inflation linked securities. Discretely managed portfolios are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date.

Internally managed inflation linked securities, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer.

(ii) Property A

The Property A portfolio comprises two sub-sectors:

Listed Property Trusts

These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this sub-sector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

Unlisted property vehicles

The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian Equities A

The Australian Equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International Equities A

The International Equities A portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) Short Term and Long Term Fixed Interest

The Short Term and Long Term Fixed Interest portfolios have exposure to domestic and global debt instruments and is managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified Strategies Growth A

The Diversified Strategies Growth A portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2012). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies Income

The Diversified Strategies Income portfolio comprises investments in discretely managed investments and Australian and international pooled funds, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) Cash

Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(ix) Socially Responsible Investment

The Socially Responsible Investment portfolio comprises an externally managed pooled vehicle (unlisted unit trust). The valuation is performed and supplied by the relevant fund manager.

South Australian Superannuation Scheme

Summary of Significant Accounting Policies (Continued)

(c) Taxation

The Scheme is a constitutionally protected superannuation fund in terms of Section 295-15 of the *Income Tax Assessment Act 1997*, Regulation 995-1.04 (Schedule 4) and is exempt from income tax. Therefore no income tax has been brought to account in this financial report.

(d) Operation of Investment Portfolio

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2016, Funds SA managed eight separate investment options distinguished by differing strategic asset allocations, namely:

- High Growth;
- Growth;
- Balanced;
- Moderate;
- Conservative;
- Capital Defensive;
- Cash; and
- Socially Responsible Investment.

During the financial year all of the above investment options were available to members for assets invested in the South Australian Superannuation Fund Account (New Scheme Division). The assets of the South Australian Superannuation Fund Account (Old Scheme Division) and the South Australian Superannuation Scheme Contribution Account are invested in the Growth option.

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

(e) Revenue

Superannuation contributions and other revenue are recognised to the extent that it is probable that the flow of economic benefits to the Scheme will occur and can be reliably measured.

Investment revenue represents the change in market value due to the movement in the value of funds invested with Funds SA.

(f) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Scheme 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.

(g) Cash and cash equivalents

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

(h) Receivables and Payables

Contributions receivable are contributions relating to the 2015-16 financial year received by the Scheme after 30 June 2016 and includes underpaid contributions made on or prior to 30 June 2016.

Other receivables are carried at nominal amounts due that approximate fair value. Other payables are recognised when the Scheme is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable relate to members who have ceased employment and provided the Scheme with appropriate notification on or prior to 30 June 2016 but paid after 30 June 2016. These also include pension payments payable on or prior to 30 June 2016 but paid after 30 June 2016.

(i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of the Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Private ruling issued by the Australian Taxation Office in October 2015 specifies the rate at which GST can be recovered through reduced input tax credits.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

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.

South Australian Superannuation Scheme

Summary of Significant Accounting Policies (Continued)

(j) 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 unless impracticable.

Where applicable, the restated comparative amounts do not replace the original financial statements for the preceding period.

3. Contributions Receivable

	2016	2015
	\$'000	\$'000
Contributions Receivable from Members	211	433
Contributions Receivable from Employers	706	1 489
	917	1 922

4. Direct Investment Expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment. In 2015-16 direct investment expenses were in line with the previous year. For the year ended 30 June 2016 the amount for Direct Investment Expenses was \$33.645 million (2015 \$34.923 million).

5. Administration Expenses

	Old Scheme Division \$'000	New Scheme Division \$'000	Total 2016 \$'000	2015 \$'000
Administration Expenses (i)	1 226	1 003	2 229	2 613
Bank Fees	8	-	8	8
Other Expenses (ii)	43	36	79	137
Consultancy Expenses (iii)	17	6	23	22
Total Administration Expenses	1 294	1 045	2 339	2 780

(i) Administration Expenses comprises the costs incurred by the Department of Treasury and Finance in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. The Board recovers a share of the administration cost from the Scheme. The cost is recovered in two components:

- Subsection 17(7) of the Act requires that the Fund meet a prescribed portion of these costs, currently 30 percent.
- 70 percent of costs were deducted from the employer contributions received during the year.

(ii) Other Expenses include Auditor's remuneration. Amounts paid or due and payable to the Auditor-General's Department (a SA Government Entity) for the audit of the Scheme for the reporting period totalled \$73,900 (2015 \$76,700). No other services were provided by the Auditor-General's Department.

(iii) Consultancy Expenses are in relation to actuarial services provided by PricewaterhouseCoopers regarding the valuation of accrued benefits liability in accordance with AAS25.

South Australian Superannuation Scheme

6.

Net Assets available to Pay Benefits

Net assets available to pay benefits consist of the combined balances of the South Australian Superannuation Fund and the South Australian Superannuation Scheme Contribution Account. Movements in the balances of these accounts are detailed below:

	Old Scheme Division \$'000	New Scheme Division \$'000	Total 2016 \$'000	2015 \$'000
(a) SA Superannuation Fund Account (Employee Component)				
Funds held at 1 July	1 459 794	658 431	2 118 225	2 076 975
Add: Contributions	2 352	17 067	19 419	22 297
Rollovers from Other Schemes	190	1 176	1 366	1 424
Investment Revenue	61 702	26 866	88 568	212 207
Government Co-contributions	1	35	36	46
Other Revenue	20	16	36	62
	64 265	45 160	109 425	236 036
Less: Benefits Paid/Payable	89 523	70 992	160 515	179 352
Direct Investment Expenses	9 858	4 198	14 056	14 571
Co-Contributions Transferred to Other Scheme	1	35	36	46
Administration Expenses	389	312	701	817
	99 771	75 537	175 308	194 786
Funds held at 30 June	1 424 288	628 054	2 052 342	2 118 225
(b) SA Superannuation Scheme Contribution Account (Employer Component)				
		\$'000	2016 \$'000	2015 \$'000
Funds held at 1 July			2 848 859	2 820 986
Add: Employer Contributions:				
State Government Departments		41 444		48 366
Statutory Authorities		15 295		16 999
Contribution for Past Service Liability		353 254		360 195
			409 993	425 560
Investment Revenue			116 671	301 101
Other Revenue - Public Authorities			37 403	35 972
Other Revenue - Interest Received			85	145
Other Revenue - Temporary Disability			46	82
			564 198	762 860
Less: Benefits Paid/Payable:				
Old Scheme Contributors		542 038		545 856
New Scheme Contributors		127 535		157 823
			669 573	703 679
Direct Investment Expenses			19 589	20 352
Higher Education Superannuation Costs			9 094	8 993
Administration Expenses			1 638	1 963
			699 894	734 987
Funds held at 30 June			2 713 163	2 848 859
Total Net Assets Available to Pay Benefits			4 765 505	4 967 084

South Australian Superannuation Scheme

7. Benefits Paid/Payable

	Old Scheme Division \$'000	New Scheme Division \$'000	Total 2016 \$'000	Old Scheme Division \$'000	New Scheme Division \$'000	Total 2015 \$'000
Pensions:						
Funded from: SA Superannuation Fund	85 903	2	85 905	84 342	94	84 436
SA Superannuation Scheme Contribution Account:						
Employer Contribution Accounts	28 625	-	28 625	27 315	-	27 315
Public Authorities	35 211	-	35 211	34 484	1	34 485
SA Government Employer Account	464 260	832	465 092	453 204	676	453 880
Gross Scheme Costs	613 999	834	614 833	599 345	771	600 116
Commutations:						
Funded from: SA Superannuation Fund	1 558	-	1 558	3 925	-	3 925
SA Superannuation Scheme Contribution Account:						
Employer Contribution Accounts	1 740	-	1 740	3 779	-	3 779
Public Authorities	219	-	219	105	-	105
SA Government Employer Account	7 610	-	7 610	20 225	-	20 225
Gross Scheme Costs	11 127	-	11 127	28 034	-	28 034
Lump Sums:						
Funded from: SA Superannuation Fund	2 057	70 928	72 985	2 561	87 564	90 125
SA Superannuation Scheme Contribution Account:						
Employer Contribution Accounts	1 167	28 997	30 164	2 130	41 701	43 831
Public Authorities	33	2 126	2 159	-	1 488	1 488
SA Government Employer Account	3 048	95 190	98 238	3 724	112 991	116 715
Gross Scheme Costs	6 305	197 241	203 546	8 415	243 744	252 159
Retrenchments:						
Funded from: SA Superannuation Fund	5	-	5	9	-	9
SA Superannuation Scheme Contribution Account:						
Employer Contribution Accounts	-	-	-	-	-	-
Public Authorities	-	-	-	-	-	-
SA Government Employer Account	125	-	125	206	-	206
Gross Scheme Costs	130	-	130	215	-	215
Targeted Separation Packages:						
Funded from: SA Superannuation Fund	-	62	62	283	574	857
SA Superannuation Scheme Contribution Account:						
Employer Contribution Accounts	-	92	92	-	-	-
Public Authorities	-	-	-	-	-	-
SA Government Employer Account	-	298	298	684	966	1 650
Gross Scheme Costs	-	452	452	967	1 540	2 507
Total Benefits Paid/Payable	631 561	198 527	830 088	636 976	246 055	883 031
Total Benefit Payments:						
Funded from: SA Superannuation Fund	89 523	70 992	160 515	91 120	88 232	179 352
SA Superannuation Scheme Contribution Account:						
Employer Contribution Accounts	31 532	29 089	60 621	33 224	41 701	74 925
Public Authorities	35 463	2 126	37 589	34 589	1 489	36 078
SA Government Employer Account	475 043	96 320	571 363	478 043	114 633	592 676
Gross Scheme Costs	631 561	198 527	830 088	636 976	246 055	883 031

8. Liability for Accrued Benefits

The accrued liabilities of the Scheme as determined by Ms Catherine Nance, Fellow of the Institute of Actuaries of Australia from PricewaterhouseCoopers are shown below.

For the old scheme contributors and the employer funded defined benefit component in respect of new scheme contributors, the accrued liabilities are the present values of expected future benefit payments arising from membership of the Scheme up to 30 June 2016.

For the employee funded, defined contribution component for new scheme contributors, the accrued liability is the balance of the employees' contribution accounts as at 30 June 2016.

The expected future benefit payments have been determined using the 2013 triennial review assumptions relating to mortality, disability, withdrawal, preservation and retirement. The next triennial review of the South Australian Superannuation Scheme will be undertaken during 2016-17, as at 30 June 2016. The review's salary promotion scale and economic assumptions have also been used, while general salary increases of 1.5 percent per annum above the Adelaide Consumer Price Index (CPI) have been allowed for. In accordance with Australian Accounting Standard AAS 25 "Financial Reporting by Superannuation Plans", the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate of 4.5 percent per annum above the CPI of 2.5 percent.

South Australian Superannuation Scheme

Liability for Accrued Benefits (continued)

	Old Scheme Division \$'000	New Scheme Division \$'000	Total 2016 \$'000	Old Scheme Division \$'000	New Scheme Division \$'000	Total 2015 \$'000
Changes in the Liability for Accrued Benefits:						
Liability for Accrued Benefits at 1 July	8 523 596	1 774 757	10 298 353	8 648 367	1 843 247	10 491 614
Add: Benefits Expense (i)	464 843	130 878	595 721	512 205	177 565	689 770
Less: Benefits Paid/Payable (ii)	631 561	198 527	830 088	636 976	246 055	883 031
Liability for Accrued Benefits at 30 June	8 356 878	1 707 108	10 063 986	8 523 596	1 774 757	10 298 353
Represented by:						
SA Superannuation Fund	1 175 178	641 491	1 816 669	1 199 676	671 176	1 870 852
SA Superannuation Scheme Contribution A/C:						
Employer Contribution Accounts	1 228 526	370 847	1 599 373	1 247 402	375 595	1 622 997
SA Government Employer Account	5 644 006	685 548	6 329 554	5 755 144	717 218	6 472 362
Public Authorities	309 168	9 222	318 390	321 374	10 768	332 142
Total	8 356 878	1 707 108	10 063 986	8 523 596	1 774 757	10 298 353

(i) This figure represents the change in Liability for Accrued Benefits plus Benefits Paid for the year.

(ii) Refer to Note 7.

Although the total liability for accrued benefits shown above is \$10.064 billion, the SA Government is only responsible for funding the SA Government Employer Account of \$6.323 billion and part of the Employer Contribution Accounts. The remaining liability includes the members fund, commercial entities and the Commonwealth share of the universities.

Pursuant to the Act, actuarial reviews of the Scheme must be conducted on a three yearly basis to address the cost of the Scheme to the Government and the proportion of future benefits that can be met from the Fund. The last review was carried out as at 30 June 2013 by Ms Catherine Nance, Fellow of the Institute of Actuaries of Australia from PricewaterhouseCoopers. Her report to the Minister dated June 2014, was tabled in Parliament on 3 July 2014. These reviews take account of assets held, future contributions to be received from members and future benefits to be paid by the Fund. In contrast, the purpose of the accrued liability calculations, which are made annually, is to estimate the value of future payments that can be attributed to service up to the date of the calculation.

9. Vested Benefits

Vested benefits are benefits which are not conditional upon continued membership of the Scheme (or any factor other than resignation from the Scheme) and include benefits which contributors would be entitled to receive on termination of their Scheme membership.

Resigning contributors have two options in the Old Scheme Division (Pension Scheme) and a third option in the New Scheme Division (Lump Sum Scheme). Firstly, they can elect to take a cash refund of their own contributions, accumulated with interest, with their employer Superannuation Guarantee entitlement preserved in the Scheme. Secondly, they can elect to take a fully vested, preserved benefit which will be based on their full accrued entitlement as at the date of resignation and will be increased during preservation in line with increases in investment earnings and the CPI. Alternatively, Lump Sum Scheme members can transfer their benefit to another scheme where the employer benefit is equal to twice the member balance (at standard rates) plus a productivity component.

The vested benefits shown below assume that all resignation benefits will be taken in the form of preserved or transferred benefits. The value of vested benefits has been calculated using the same actuarial and economic assumptions as for the calculation of accrued benefits.

As for accrued benefits, vested benefits have been calculated as at 30 June 2016.

	Old Scheme Division \$'000	New Scheme Division \$'000	Total 2016 \$'000	Old Scheme Division \$'000	New Scheme Division \$'000	Total 2015 \$'000
SA Superannuation Fund	1 177 104	641 491	1 818 595	1 194 674	671 176	1 865 850
SA Superannuation Scheme Contribution A/C:						
Employer Contribution Accounts	1 235 548	407 815	1 643 363	1 244 785	416 893	1 661 678
SA Government Employer Account	5 647 716	767 887	6 415 603	5 726 116	810 374	6 536 490
Public Authorities	309 654	9 911	319 565	321 494	11 693	333 187
Total	8 370 022	1 827 104	10 197 126	8 487 069	1 910 136	10 397 205

South Australian Superannuation Scheme

10. Summary of Investments

The Interests of the Fund and the South Australian Superannuation Scheme Contribution Account in the Unitised Investment Portfolio of Funds SA are as follows:	Fund-Old Scheme Division \$'000	Fund-New Scheme Division \$'000	Scheme Cont'n Accounts \$'000	Total 2016 \$'000	2015 \$'000
Inflation Linked Securities A	80 904	40 305	156 699	277 908	360 469
Property A	202 244	85 919	391 713	679 876	712 054
Australian Equities A	337 656	142 803	653 986	1 134 445	1 184 035
International Equities A	339 600	143 528	657 749	1 140 877	1 266 589
Long Term Fixed Interest	38 857	19 578	75 259	133 694	99 824
Short Term Fixed Interest	-	10 833	-	10 833	12 722
Diversified Strategies - Growth A	154 498	62 126	301 856	518 480	480 801
Diversified Strategies - Income	220 699	97 235	427 458	745 392	683 983
Cash	33 342	31 696	64 577	129 615	176 942
Socially Responsible	-	3 143	-	3 143	3 355
Total	1 407 800	637 166	2 729 297	4 774 263	4 980 774

11. Reconciliation of Operating Result to Net Cash (used in) Operating Activities

	2016 \$'000	2015 \$'000
Operating Result	32 788	262 384
Investment Revenue	(205 239)	(513 308)
Direct Investment Expenses	33 645	34 923
Decrease in Contributions Receivable	1 005	88
Decrease in Other Revenue Receivable	310	2 897
(Increase)/Decrease in Receivables	(116)	15
(Increase) in Prepaid Benefits	(58)	-
(Decrease)/Increase in Benefits Payable	(8 490)	10 384
Increase/(Decrease) in Payables	803	(64)
(Decrease) in Liability for Accrued Benefits	(234 367)	(193 261)
Net Cash (used in) Operating Activities	(379 719)	(395 942)

12. Reconciliation of Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2016 \$'000	2015 \$'000
Cash and Cash Equivalents per Statement of Financial Position	4 014	5 628
Cash and Cash Equivalents per Statement of Cash Flows	4 014	5 628

13. Payables

	2016 \$'000	2015 \$'000
Audit Fees	79	87
Rollovers Payable	792	-
Health Commissions	14	-
Returned Benefit Payments	9	4
	894	91

South Australian Superannuation Scheme

14. Contributions for Past Service Liability

	2016 \$'000	2015 \$'000
SA Government	350 000	356 700
SA Water	2 592	2 492
Workcover	571	549
Forestry SA	91	454
	<u>353 254</u>	<u>360 195</u>

15. Contributions by Employers

	2016 \$'000	2015 \$'000
State Government Departments	41 444	48 366
Statutory Authorities - State Government Entities	14 683	16 692
Statutory Authorities - Non State Government Entities	612	307
	<u>56 739</u>	<u>65 365</u>

16. Other Revenue Receivable

	2016 \$'000	2015 \$'000
Public Authorities	5 232	5 517
Temporary Disability	72	97
	<u>5 304</u>	<u>5 614</u>

17. Other Revenue

	2016 \$'000	2015 \$'000
Interest	121	207
Public Authorities (i)	37 403	35 972
Temporary Disability	46	82
	<u>37 570</u>	<u>36 261</u>

(i) Refer to Note 1(d)

18. Government Co-Contributions

During the 2015-16 financial year, the Scheme received Co-contributions from the ATO amounting to \$36,000 (2015 \$46,000). Whilst members of the Scheme are eligible to receive the Co-contribution, the contributions are not retained in the Scheme and are immediately transferred to the Southern State Superannuation Scheme upon receipt for crediting to members' existing or newly created accounts.

19. Receivables

	2016 \$'000	2015 \$'000
Interest	10	13
Benefit Repayments	444	355
GST Recovered from the ATO	59	16
Overpaid Pensions	15	28
	<u>528</u>	<u>412</u>

20. Higher Education Superannuation Costs

An amount of \$9.094 million (2015 \$8.993 million) was paid to the Commonwealth Government which related to the South Australian share of the 2015-16 higher education superannuation costs under the Commonwealth – State agreement. This agreement provides that the employer component of the superannuation benefits payable to former employees of South Australian Universities who were members of one of the main State Schemes, be shared.

South Australian Superannuation Scheme

21. Financial Instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

a) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

I. Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates.

The Scheme's currency risk is managed by Funds SA which has invested in assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the international equities asset class are 50 percent hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above, by Funds SA.

II. Interest rate risk

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

Funds SA manages interest rate risk through:

- Ensuring asset allocations of different investment products are consistent with the time horizon of each.
- The use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.
- The Scheme's receivables and payables are non-interest bearing. The carrying amounts of these assets approximate to fair value.

III. Other market price risk

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Operating Statement, all changes in market conditions will directly affect investment revenue.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

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

South Australian Superannuation Scheme

Financial Instruments (Continued)

IV. Sensitivity analysis

The Funds SA Board has determined that its forecast risk/return profile provides a reasonable measure of the sensitivity of the expected returns in each investment option in the year ahead. The following tables show the standard deviation around expected nominal returns for each investment option.

2016

Investment Option	Sensitivity variable	Expected Nominal Return	Standard Deviation
High Growth	Nominal standard deviation	8.3%	12.0%
Growth	Nominal standard deviation	7.7%	10.2%
Balanced	Nominal standard deviation	7.1%	8.9%
Moderate	Nominal standard deviation	6.3%	6.9%
Conservative	Nominal standard deviation	5.5%	5.1%
Capital defensive	Nominal standard deviation	4.6%	3.3%
Cash	Nominal standard deviation	2.9%	1.5%
Socially Responsible	Nominal standard deviation	6.2%	10.3%

2015

Investment Option	Sensitivity variable	Expected Nominal Return	Standard Deviation
High Growth	Nominal standard deviation	8.2%	11.9%
Growth	Nominal standard deviation	7.5%	10.0%
Balanced	Nominal standard deviation	7.0%	8.8%
Moderate	Nominal standard deviation	6.1%	6.8%
Conservative	Nominal standard deviation	5.4%	5.1%
Capital defensive	Nominal standard deviation	4.5%	3.2%
Cash	Nominal standard deviation	2.9%	1.3%
Socially Responsible	Nominal standard deviation	6.2%	10.4%

Standard deviation is a useful historical measure of the variability of returns earned by an investment portfolio. The standard deviations shown above represent the range at which actual future returns are expected to occur either side of the nominal return approximately two thirds of the time.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

b) Credit Risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets, included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counter party or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Scheme does not have any assets which are past due or impaired and there is no concentration of credit risk.

c) Liquidity Risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Scheme's liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

South Australian Superannuation Scheme

Financial Instruments (Continued)

Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

30 June 2016	Less than 3 Months \$'000	Total Contractual Cash Flows \$'000	Carrying Amount Liabilities \$'000
Benefits payable	18 685	18 685	18 685
Payables (i)	815	815	815
Vested benefits (ii)	10 197 126	10 197 126	10 197 126
Total	10 216 626	10 216 626	10 216 626

30 June 2015	Less than 3 Months \$'000	Total Contractual Cash Flows \$'000	Carrying Amount Liabilities \$'000
Benefits Payable	27 175	27 175	27 175
Payables (i)	4	4	4
Vested benefits (ii)	10 397 205	10 397 205	10 397 205
Total	10 424 384	10 424 384	10 424 384

- (i) Payable amounts disclosed here exclude amounts relating to statutory payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees).
- (ii) Vested benefits have been included in the less than 3 months column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

d) Fair Value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly 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).

Financial assets at fair value through profit or loss Level 1 and level 3 are not relevant to the Scheme

Level 2
\$'000

30 June 2016

Unlisted managed investment schemes

Funds SA

4 774 263

4 774 263

30 June 2015

Unlisted managed investment schemes

Funds SA

4 980 774

4 980 774

South Australian Superannuation Scheme

Financial Instruments (Continued)

e) Derivative Financial Instruments

Derivatives can be defined as financial contracts whose value depends on, or is derived from, assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

22. Related Parties

Details of the members of the Board and their remuneration for the 2015-16 financial year are disclosed in the notes to the Board's Financial Report.

23. Events after the reporting period

There were no significant events after the reporting period.

South Australian Superannuation Scheme

Certification of the Financial Report

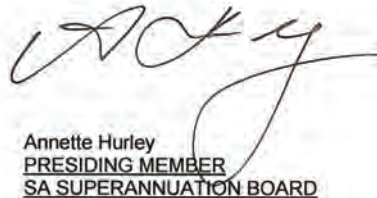
We certify that the attached general purpose financial report for the South Australian Superannuation Scheme:

- complies with any relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- is in accordance with the accounts and records of the Scheme; and
- presents a true and fair view of the financial position of the Scheme 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 Scheme for the financial year over its financial reporting and its preparation of the general purpose financial report have been effective throughout the reporting period.



John Montague
GENERAL MANAGER
STATE SUPERANNUATION OFFICE



Annette Hurley
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Mark Carpinelli
MANAGER FINANCIAL SERVICES
STATE SUPERANNUATION OFFICE

Date 14 Sep 2016

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Presiding Member South Australian Superannuation Board South Australian Superannuation Scheme

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and subsection 20AB(2) of the *Superannuation Act 1988*, I have audited the accompanying financial report of the South Australian Superannuation Scheme for the financial year ended 30 June 2016. The financial report comprises:

- an Operating Statement for the year ended 30 June 2016
- a Statement of Financial Position as at 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 Presiding Member of the South Australian Superannuation Board, General Manager, State Superannuation Office and the Manager, Financial Services, State Superannuation Office.

The members of the South Australian Superannuation Board's responsibility for the financial report

The members of the South Australian Superannuation 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 South Australian Superannuation 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.

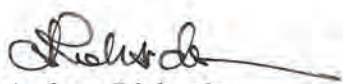
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. 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 South Australian Superannuation 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 State Superannuation Office's (Super SA) 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 South Australian Superannuation Scheme 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

20 September 2016

Southern State Superannuation Scheme

Financial report
for the year ended
30 June 2016

Southern State Superannuation Scheme
Operating Statement for the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
INVESTMENT AND OTHER REVENUE:			
Investment Revenue		567 242	1 156 572
Other Revenue		276	391
CONTRIBUTION REVENUE:			
Contributions by Members	1(a)	119 170	145 069
Contributions by Employers	1(a)	1 028 912	961 165
Rollovers from Other Schemes		268 777	231 176
Government Co-Contributions		1 574	1 750
Total Contribution Revenue		1 418 433	1 339 160
Total Revenue		1 985 951	2 496 123
EXPENSES:			
Direct Investment Expenses	3	79 856	76 750
Insurance Administration Expenses	13	2 374	2 116
Administration Expenses	4	10 322	10 579
Total Expenses		92 552	89 445
BENEFITS ACCRUED AS A RESULT OF OPERATIONS		1 893 399	2 406 678

The Operating Statement should be read in conjunction with the accompanying notes

Statement of Financial Position as at 30 June 2016

	Note	2016 \$'000	2015 \$'000
INVESTMENTS:			
Inflation Linked Securities A		1 097 227	1 230 964
Property A		1 654 139	1 583 719
Australian Equities A		2 840 178	2 719 066
International Equities A		2 853 231	2 926 726
Long Term Fixed Interest		846 615	670 044
Short Term Fixed Interest		374 568	382 880
Diversified Strategies - Growth A		1 156 677	956 222
Diversified Strategies - Income		2 038 617	1 718 376
Cash		585 443	635 410
Socially Responsible		55 027	44 338
		13 501 722	12 867 745
OTHER ASSETS:			
Cash and Cash Equivalents	5	25 309	15 800
Contributions Receivable	6	17 801	22 848
Receivables	7	315	90
Total Assets		13 545 147	12 906 483
CURRENT LIABILITIES:			
Benefits Payable	8	25 596	47 713
Payables	9	134	826
Unearned Revenue		49	-
Total Liabilities		25 779	48 539
NET ASSETS AVAILABLE TO PAY BENEFITS	10	13 519 368	12 857 944
REPRESENTED BY:			
LIABILITY FOR ACCRUED BENEFITS:			
Allocated to Members' Accounts	11,17	13 349 428	12 681 908
Not Allocated to Members' Accounts	12	(4 706)	3 003
		13 344 722	12 684 911
RESERVES:			
Death, Invalidity and Income Protection Insurance Reserve	13	141 260	142 620
Administration Fee Reserve	14	5 962	3 985
Operational Risk Reserve	15	27 424	26 428
		174 646	173 033
	16	13 519 368	12 857 944

The Statement of Financial Position should be read in conjunction with the accompanying notes

Southern State Superannuation Scheme

Statement of Cash Flows for the year ended 30 June 2016

		2016	2015
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Contributions Received:			
Contributions by Members	119 628		145 061
Contributions by Employers	1 033 218		957 064
Rollovers from Other Schemes	268 550		231 372
Government Co-Contributions	1 556		1 766
		1 422 952	1 335 263
GST Recovered from the ATO		683	728
Interest Received		276	399
Benefits Paid:			
Retirement	(545 207)		(521 353)
Resignation	(124 619)		(114 676)
Early Access	(522 640)		(472 929)
Retrenchment	(138)		(82)
Invalidity	(27 994)		(22 152)
Death	(16 560)		(15 682)
Payments to Unclaimed Monies	(435)		(205)
Transfers to Select Fund	(1)		(41)
Temporary Disability	(16 645)		(15 171)
		(1 254 239)	(1 162 291)
Insurance Administration Expenses Paid		(2 499)	(2 228)
Administration Expenses Paid		(11 059)	(11 131)
Net Cash provided by Operating Activities	18	156 114	160 740
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments from Operational Risk Reserve		(14)	(5)
Transfers from Death, Invalidity and Income Protection Insurance Reserve		-	(1 000)
Net Cash provided by Financing Activities		(14)	(1 005)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from Funds SA		453 628	409 329
Payments to Funds SA		(600 219)	(573 542)
Net Cash (used in) Investing Activities		(146 591)	(164 213)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		9 509	(4 478)
CASH AND CASH EQUIVALENTS AT 1 JULY		15 800	20 278
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	25 309	15 800

The Statement of Cash Flows should be read in conjunction with the accompanying notes

Southern State Superannuation Scheme

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) **Southern State Superannuation Scheme**

The Southern State Superannuation Scheme (the Scheme/the Triple S Scheme) is both a contributory and non-contributory superannuation scheme established pursuant to the *Southern State Superannuation Act 2009* (the Act). The Scheme commenced on 1 July 1995 pursuant to the *Southern State Superannuation Act 1994* and is continued under the *Southern State Superannuation Act 2009*. The *Southern State Superannuation Regulations 2009* provide the majority of the Scheme rules that, until 31 July 2009, were set out under the *Southern State Superannuation Act 1994*.

Members can elect to make contributions to the Scheme based on a percentage of their salary commencing from 1 percent, under Regulation 17. A member of the police force, an operations employee of the SA Ambulance Service who commenced employment after 1 July 2008 or a former standard contributory member of the SA Ambulance Service Superannuation Scheme who elected to transfer to the Triple S Scheme must contribute at a rate of at least 4.5 percent of salary. A separate contribution account is maintained for each member. Member and employer contributions and any rollover amounts and co-contribution amounts are deposited by the Treasurer into the Southern State Superannuation Fund which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

An employer is required to pay contributions to the Treasurer under section 21 of the Act. The employer contributes 9.50 (2015 – 9.50) percent of salary where the member has elected to contribute less than 4.5 percent of salary. Where the member has elected to contribute 4.5 percent or more of salary, the employer must contribute at a rate of 10 percent.

Benefits, represented by the balances of all member accounts, are available for employees who retire, resign, are retrenched, elect Transition to Retirement or Early Access to Super whilst still an employee of the SA Public Sector or die and for those who become terminally ill or terminate their employment because of invalidity. The balance of individual member entitlements is provided in annual statements provided to each member.

(b) **South Australian Superannuation Board**

The purpose of this financial report is to discharge the responsibilities of the Board under section 15 of the Act to maintain accounts of receipts and payments.

The Act charges the Board with responsibility for all aspects of the administration of the Act except for the management and investment of the Southern State Superannuation Fund (the Fund). The Act also provides the Board with the necessary powers to administer the Scheme.

The Board is required under section 13 of the Act to adjust a member's contribution account, rollover account and co-contribution account to reflect movements in the value of units allocated to each account.

Pursuant to section 14 of the Act, where a member or members have nominated a class of investments, or a combination of classes of investments, the Board shall adjust a member's contribution account, rollover account and co-contribution account to reflect the movement in the value of units held in the class of investments nominated by the member.

(c) **Superannuation Funds Management Corporation of South Australia**

Funds SA is a SA Government Entity established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Funds SA Act). Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

Section 10(3) of the Act provides that the Fund is to be invested and managed by Funds SA.

For further information on investment activities, reference should be made to the annual report of Funds SA. The financial report of Funds SA discloses the investment assets, liabilities, income and expenses relating to the investment activities of Funds SA.

(d) **Funding Arrangements**

The Act requires that member contributions, employer contributions, rollovers from other schemes and co-contributions paid by the Commonwealth be paid to the Treasurer, who, in turn, deposits these amounts into the Fund, the Consolidated Account (which is appropriated to the necessary extent) or to a Special Deposit Account with the Department of Treasury and Finance established for that purpose. During the current reporting period contributions were made to a Special Deposit Account. All employer contributions are received from SA Government Entities.

Under section 10 of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a Special Deposit Account established for that purpose. During the current reporting period payments were made from the Special Deposit Account.

2. Summary of Significant Accounting Policies

(a) **Basis of Accounting**

This financial report is a general purpose financial report. The accounts have been prepared in accordance with relevant Australian Accounting Standards, Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*, except as provided below.

AAS 25 "Financial Reporting by Superannuation Plans" is the principal standard applied in preparing this financial report. Other Accounting Standards are also applied where necessary except to the extent that they differ from AAS 25.

Southern State Superannuation Scheme

Summary of Significant Accounting Policies (Continued)

This financial report has been prepared on an accrual basis where this can be reliably measured. This is in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

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

New Accounting Standard

On 5 June 2014, the Australian Accounting Standards Board (AASB) approved the new Accounting Standard AASB 1056 "Superannuation Entities" for adoption on 1 July 2016. The Standard replaces AAS 25 "Financial Reporting by Superannuation Plans" and comprehensively reforms the General Purpose Financial Reporting requirements applicable to superannuation entities.

Key changes resulting from the adoption of AASB1056 include:

- Preparation of additional financial statements including a statement of changes in member benefits and statement of changes in equity;
- Broadly applying presentation principles and requirements of applicable Australian Accounting Standards as opposed to the requirements of AAS 25 that overrode certain requirements. This includes measuring assets and liabilities (previously measured at net market value) to fair value. Changes in fair value are to be reported in the income statement;
- Accounting for self-insurance arrangements as if they were life insurance contracts.

(b) Investments

The basis for the valuation of investments is provided below. Investments are measured at net market value as provided by Funds SA.

(i) Inflation Linked Securities A

The Inflation Linked Securities portfolio invests in discretely managed portfolios and internal inflation linked securities. Discretely managed portfolios are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date.

Internally managed inflation linked securities, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer.

(ii) Property A

The Property A portfolio comprises two sub-sectors:

Listed Property Trusts

These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this sub-sector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

Unlisted property vehicles

The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian Equities A

The Australian Equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International Equities A

The International Equities A portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) Short Term and Long Term Fixed Interest

The Short Term and Long Term Fixed Interest portfolios have exposure to domestic and global debt instruments and is managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

Southern State Superannuation Scheme

Summary of Significant Accounting Policies (Continued)

(vi) Diversified Strategies Growth A

The Diversified Strategies Growth A portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cashflows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2012). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies Income

The Diversified Strategies Income portfolio comprises investments in discretely managed investments and Australian and international pooled funds, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) Cash

The Cash portfolio is externally managed. The investments are held in a cash management fund. Cash balances are supplied by the relevant financial institution and have been valued on the basis of principal plus accrued interest.

(ix) Socially Responsible Investment

The Socially Responsible Investment portfolio comprises an externally managed pooled vehicle (unlisted unit trust). The valuation is performed and supplied by the relevant fund manager.

(c) **Operation of Investment Portfolio**

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2016, Funds SA managed eight separate investment options distinguished by differing strategic asset allocations, namely:

- High Growth;
- Growth;
- Balanced;
- Moderate;
- Conservative;
- Capital Defensive;
- Cash; and
- Socially Responsible Investment.

During the financial year all of the above investment options were available to members of the Southern State Superannuation Scheme.

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of these investment options discussed in the preceding paragraphs.

(d) **Taxation**

The Scheme is a constitutionally protected superannuation fund in terms of Section 295-15 of the Income Tax Assessment Act 1997, Regulation 995-1.04 (Schedule 4) and is exempt from income tax.

(e) **Revenue**

Superannuation contributions and other revenue are recognised to the extent that it is probable that the flow of economic benefits to the Scheme will occur and can be reliably measured.

Investment revenue represents the change in market value due to the movement in the value of funds invested with Funds SA.

(f) **Expenses**

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Scheme 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.

(g) **Cash and cash equivalents**

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

Cash is measured at nominal value.

Southern State Superannuation Scheme

Summary of Significant Accounting Policies (Continued)

(h) Receivables and Payables

Contributions receivable are contributions relating to the 2015-16 financial year received by the Scheme after 30 June 2016.

Other receivables are carried at nominal amounts due that approximate fair value.

Other payables are recognised when the Scheme is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable comprises the entitlements of members who ceased employment and had provided the Scheme with appropriate notification, but where the benefits had not been paid on or prior to year end.

Unearned revenue are contributions relating to the 2016-17 financial year received by the Scheme on or prior to 30 June 2016.

(i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of the acquisition of the asset or as part of an item of the expense.

Private ruling issued by the Australian Taxation Office in October 2015 specifies the rate at which GST can be recovered through reduced input tax credits.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

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.

(j) 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 unless impracticable.

Where applicable, the restated comparative amounts do not replace the original financial statements for the preceding period.

3. Direct Investment Expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment. In 2015-2016 there was a small increase in direct investment expenses, largely attributable to increased funds under management driven by modest investment market performance (costs are applied on a percentage basis of funds under management). For the year ended 30 June 2016 the amount for Direct Investment Expenses was \$79.856 million (2015 \$76.750 million).

4. Administration Expenses

	2016 \$'000	2015 \$'000
Administration Expenses (i)	10 232	10 482
Other Expenses (ii)	90	97
	10 322	10 579

- (i) Regulation 16 provides for an administrative charge to be debited each year to members' employer contribution accounts and section 10 of the Act requires the amount to be paid from the Southern State Superannuation Fund. The purpose of this charge is to provide for existing and future costs of administering the Scheme. The amount of the charge is determined by the Board. For the year ended 30 June 2016, the charge was \$1.35 per week per member for all members, active and non-active. The charge for a member with an aggregate balance of \$1,000 or less, is the lesser of the charges applicable to members, or the amount of interest credited to the member's employer contribution account with a minimum of \$10. This charge is included on member annual statements. For the year ended 30 June 2016 the amount charged to members' employer contribution accounts was \$12.002 million (2015 \$11.288 million).

Administration expenses incurred by the Board in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Board monthly. The charge for the year ended 30 June 2016, based on actual costs of administering the Scheme, amounted to \$10.232 million (2015 \$10.482 million).

- (ii) Other expenses include Auditor's remuneration. Amounts paid or due and payable to the Auditor-General's Department (a SA Government Entity) for the audit of the Scheme for the reporting period totalled \$73,900 (2015 \$76,700). No other services were provided by the Auditor-General's Department.

Southern State Superannuation Scheme

5. Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2016 \$'000	2015 \$'000
Cash and Cash Equivalents per Statement of Financial Position	25 309	15 800
Cash and Cash Equivalents per Statement of Cash Flows	<u>25 309</u>	<u>15 800</u>

6. Contributions Receivable

	2016 \$'000	2015 \$'000
Contributions from Members	937	1 387
Contributions from Employers	<u>16 864</u>	<u>21 461</u>
	<u>17 801</u>	<u>22 848</u>

7. Receivables

	2016 \$'000	2015 \$'000
GST to be Recovered from the ATO	231	61
Interest	21	29
Benefit Repayment	<u>63</u>	<u>-</u>
	<u>315</u>	<u>90</u>

8. Benefits Payable

	2016 \$'000	2015 \$'000
Benefits Payable	<u>25 596</u>	<u>47 713</u>

9. Payables

	2016 \$'000	2015 \$'000
Audit Fees	77	80
Other Payables	56	441
Contributions Refundable	<u>1</u>	<u>305</u>
	<u>134</u>	<u>826</u>

10. Net Assets Available to Pay Benefits

	2016 \$'000	2015 \$'000
Net Assets Available to Pay Benefits at 1 July	<u>12 857 944</u>	<u>11 631 933</u>
Add: Contributions by Members	117 927	142 774
Spouse Contributions	1 243	2 295
Employer Contributions	1 028 912	961 165
Rollovers from Other Schemes	268 777	231 176
Government Co-Contributions	1 574	1 750
Investment Revenue	567 242	1 156 572
Other Revenue	<u>276</u>	<u>391</u>
	<u>1 985 951</u>	<u>2 496 123</u>
Less: Benefits Paid and Payable	1 231 961	1 179 663
Direct Investment Expense	79 856	76 750
Administration Expenses	10 322	10 579
Payments from Operational Risk Reserve	14	4
Insurance Administration Expenses	2 374	2 116
Transfers to Other Schemes (i)	<u>-</u>	<u>1 000</u>
	<u>1 324 527</u>	<u>1 270 112</u>
Total Net Assets Available to Pay Benefits as at 30 June 2016	<u>13 519 368</u>	<u>12 857 944</u>

(i) In accordance with the Super SA Board's Unit Price Adjustment Policy (SUP 67) the Board at its 26 November 2014 meeting approved the transfer of \$1 million from the Southern State Superannuation Scheme's Death, Invalidity and Income Protection Insurance Reserve to partly offset against the Flexible Rollover Product's current investment fluctuation deficit.

11. Allocated to Members' Accounts

The value of funds which have been formally allocated to member accounts equals the Vested Benefits as per Note 17. The formal allocation of earnings to members' accounts has been determined for the 2016 year.

12. Not Allocated to Members' Accounts

All accumulation schemes carry a proportion of amounts yet to be allocated. This unallocated amount arises because the financial report of the Fund is prepared on an accrual basis while monies are allocated to investors on a cash basis.

Southern State Superannuation Scheme

13. Death, Invalidity and Income Protection Insurance Reserve

The Scheme provides an insurance benefit based on units of cover, subject to certain limitations, in the event of death or invalidity before age 65. An Income Protection Insurance benefit, subject to eligibility criteria, is also available in the event of a member becoming temporarily disabled before age 60.

The *Standard Insurance* benefit of two units of cover costs \$1.50 per week and is compulsory for most members of the scheme except casual employees who can elect to opt out of insurance and those who opted out of an additional unit of cover under Item 1 Schedule 3 of the repealed *Southern State Superannuation Regulations 1995*, and those who are special category members in terms of Regulation 28. Police Officers and operations employees of the SA Ambulance Service, who commenced employment after 1 July 2008 or former standard contributory member of the SA Ambulance Service Superannuation Scheme who elected to transfer to the Triple S Scheme, are required to have at least 6 units of Standard Insurance cover. The value of a unit of Standard Insurance for members up to age 34 years is \$75,000. The value of a unit declines from age 35. Additional units can be purchased (subject to medical evidence) to provide permanent employees with cover up to \$1.5 million and casual employees up to \$750,000. Fixed Insurance closed to new applications in November 2014.

As required by Section 17 of the repealed Act, a report was obtained on the costs and liabilities of the insurance arrangements in existence as at 30 June 2013. The actuary concluded that the cost of standard cover exceeds the standard cover premium by \$0.25 per unit per week; an expected premium subsidy of \$3.3 million per annum results. There are sufficient reserves to maintain the current premium subsidy for at least the next three years. In accordance with section 17 of the Act, a report will be received in November 2016 on the costs and liabilities of the insurance arrangements in existence as at 30 June 2016.

To be eligible for the Income Protection Insurance benefit, a member must be an active member, working full-time or part-time and receiving an employer contribution. Casual employees not automatically provided with the benefit can apply and be accepted for cover subject to medical evidence. Income Protection payments can continue for 24 months for members employed full or part time. Casual employees can be paid for up to 12 months.

	2016 \$'000	2015 \$'000
Opening balance of the Death, Invalidity and Income Protection Insurance Reserve	142 620	147 329
Add: Investment Earnings on Insurance Reserve @ 3.86% (i)	5 298	13 831
Premiums and Charges	25 710	25 218
	31 008	39 049
Less: Benefit Payments		
Invalidity	9 665	6 562
Death	3 683	4 396
Disability Pensions	16 646	15 209
Administration Fees (ii)	2 374	2 116
Transfer from Reserve (iii)	-	16 000
Transfer (from) Triple S Operational Risk Reserve	-	(525)
	32 368	43 758
Net Transfer Value (from)/to the Death, Invalidity and Income Protection Insurance Reserve	(1 360)	(4 709)
Closing balance of Reserve	141 260	142 620

(i) The Insurance Reserve is notionally invested in the Balanced Option.

(ii) The amount relates to the annual administration fee paid for administering the insurance arrangements.

(iii) In accordance with the Super SA Board's Unit Price Adjustment Policy (SUP 67), the Board at its 26 November 2014 meeting approved the transfer of \$16 million from the Death, Invalidity and Income Protection Insurance Reserve to partly offset against the investment fluctuation deficit for the Southern State Superannuation Scheme (\$15 million) and the Flexible Rollover Product (\$1 million).

14. Administration Fee Reserve

This Reserve has been set aside for future scheme requirements. The movement in the reserve reflects the difference between administration fees collected from members and the cost of administering the scheme during the year.

	2016 \$'000	2015 \$'000
Opening balance of Administration Fee Reserve	3 985	2 833
Add: Investment earnings on Administration Fee Reserve @ 3.86% (i)	201	340
Premiums and Charges		
- Member Fees	12 002	11 288
- Switching Fees	6	6
	12 209	11 634
Less: Payments		
Administration Fees (ii)	10 232	10 482
	10 232	10 482
Net Transfer Value to/(from) the Administration Fee Reserve	1 977	1 152
Closing balance of Reserve	5 962	3 985

(i) The Administration Fee Reserve is notionally invested in the Balanced Option.

(ii) The amount relates to the annual service level agreement paid for administering the Scheme (refer Note 4).

Southern State Superannuation Scheme

15. Operational Risk Reserve

The Operational Risk Reserve is to be accumulated to 0.25% of Funds Under Management in line with Prudential Standard SPS114. It is currently 0.20% of Funds Under Management.

	2016 \$'000	2015 \$'000
Opening balance of Operational Risk Reserve	26 428	24 661
Add: Investment earnings on Operational Risk Reserve @ 3.86% (i)	1 018	2 295
	1 018	2 295
Less: Payments from Reserve	22	528
	22	528
Net Transfer Value to the Reserve	996	1 767
Closing balance of Reserve	27 424	26 428

(i) The Operational Risk Reserve is notionally invested in the Balanced Option

16. Liability for Accrued Benefits

The liability for accrued benefits is the obligation to pay benefits to members and beneficiaries, calculated as the balance of member accounts plus the value of reserves and amounts not allocated to member accounts.

	2016 \$'000	2015 \$'000
Liability for Accrued Benefits at 1 July	12 857 944	11 631 933
Add: Increase in Accrued Benefits	1 893 385	2 405 674
Less: Benefits Paid and Payable	1 231 961	1 179 663
Liability for Accrued Benefits at 30 June	13 519 368	12 857 944

17. Vested Benefits

Vested Benefits are benefits which are not conditional upon continued membership of the Scheme, or any other factor other than resignation from the Scheme. Vested Benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date.

	2016 \$'000	2015 \$'000
Vested Benefits	13 349 428	12 681 908

18. Reconciliation of Benefits Accrued as a result of Operations to Net Cash provided by Operating Activities

	2016 \$'000	2015 \$'000
Benefits Accrued as a Result of Operations	1 893 399	2 406 678
Benefits Paid and Payable	(1 231 961)	(1 179 663)
Investment Revenue	(567 242)	(1 156 572)
Direct Investment Expense	79 856	76 750
Decrease/(Increase) in Contributions Receivable	5 047	(4 426)
(Increase)/Decrease in Receivables	(225)	62
(Decrease)/Increase in Payables	(692)	642
Increase in Unearned Revenue	49	-
(Decrease)/Increase in Benefits Payable	(22 117)	17 269
Net Cash provided by Operating Activities	156 114	160 740

Southern State Superannuation Scheme

19. Financial Instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

a) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

I. Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Scheme's currency risk is managed by Funds SA who has invested in assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars
- Foreign currency exposures over the developed markets component of the international equities asset class are 50 percent hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above, by Funds SA.

II. Interest rate risk

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

Funds SA manages interest rate risk through:

- Ensuring asset allocations of different investment products are consistent with the time horizon of each
- The use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.
- The Scheme's receivables and payables are non-interest bearing. The carrying amounts of these assets approximate to fair value.

III. Other market price risk

Other market price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Operating Statement, all changes in market conditions will directly affect investment revenue.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

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

Southern State Superannuation Scheme

Financial Instruments (Continued)

IV. Sensitivity analysis

The Funds SA Board has determined that its forecast risk/return profile provides a reasonable measure of the sensitivity of the expected returns in each investment option in the year ahead. The following tables show the standard deviation around expected nominal returns for each investment option.

2016

Investment Option	Sensitivity variable	Expected Nominal Return	Nominal Standard Deviation
High Growth	Nominal standard deviation	8.3%	12.0%
Growth	Nominal standard deviation	7.7%	10.2%
Balanced	Nominal standard deviation	7.1%	8.9%
Moderate	Nominal standard deviation	6.3%	6.9%
Conservative	Nominal standard deviation	5.5%	5.1%
Capital defensive	Nominal standard deviation	4.6%	3.3%
Cash	Nominal standard deviation	2.9%	1.5%
Socially Responsible	Nominal standard deviation	6.2%	10.3%

2015

Investment Option	Sensitivity variable	Expected Nominal Return	Nominal Standard Deviation
High Growth	Nominal standard deviation	8.2%	11.9%
Growth	Nominal standard deviation	7.5%	10.0%
Balanced	Nominal standard deviation	7.0%	8.8%
Moderate	Nominal standard deviation	6.1%	6.8%
Conservative	Nominal standard deviation	5.4%	5.1%
Capital defensive	Nominal standard deviation	4.5%	3.2%
Cash	Nominal standard deviation	2.9%	1.3%
Socially Responsible	Nominal standard deviation	6.2%	10.4%

Standard deviation is a useful historical measure of the variability of returns earned by an investment portfolio. The standard deviations shown above represent the range at which actual future returns are expected to occur either side of the nominal return approximately two thirds of the time.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

b) Credit Risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets, included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counter party or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Scheme does not have any assets which are past due or impaired and there is no concentration of credit risk.

c) Liquidity Risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

Southern State Superannuation Scheme

Financial Instruments (Continued)

The Scheme's liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

30 June 2016	Less than 3 Months \$'000	Total Contractual Cash Flows \$'000	Carrying Amount Liabilities \$'000
Benefits payable	25 596	25 596	25 596
Payables (i)	43	43	43
Vested benefits (ii)	13 349 428	13 349 428	13 349 428
Total	13 375 067	13 375 067	13 375 067

30 June 2015	Less than 3 Months \$'000	Total Contractual Cash Flows \$'000	Carrying Amount Liabilities \$'000
Benefits payable	47 713	47 713	47 713
Payables (i)	728	728	728
Vested benefits (ii)	12 681 908	12 681 908	12 681 908
Total	12 730 349	12 730 349	12 730 349

- (i) Payable amounts disclosed here exclude amounts relating to statutory payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees).
- (ii) Vested benefits have been included in the less than 3 months column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

d) Fair Value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly 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).

Financial assets at fair value through profit or loss
Level 1 and level 3 are not relevant to the Scheme

Level 2
\$'000

30 June 2016

Unlisted managed investment schemes

Funds SA

13 501 722

13 501 722

30 June 2015

Unlisted managed investment schemes

Funds SA

12 867 745

12 867 745

Southern State Superannuation Scheme

Financial Instruments (Continued)

e) Derivative Financial Instruments

Derivatives can be defined as financial contracts whose value depends on, or is derived from, assets, liabilities reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

20. Related Parties

Details of the members of the Board and their remuneration for the 2015-16 financial year are disclosed in the notes to the Board's Financial Report.

21. Events after the reporting period

There were no significant events after the reporting period.

Southern State Superannuation Scheme

Certification of the Financial Report

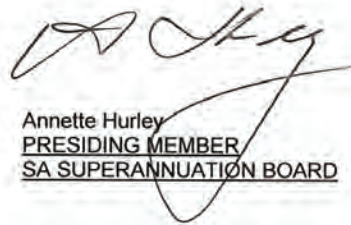
We certify that the attached general purpose financial report for the Southern State Superannuation Scheme:

- complies with any relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- is in accordance with the accounts and records of the Scheme; and
- presents a true and fair view of the financial position of the Scheme 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 Scheme for the financial year over its financial reporting and its preparation of the general purpose financial report have been effective throughout the reporting period.



John Montague
GENERAL MANAGER
STATE SUPERANNUATION OFFICE



Annette Hurley
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Mark Carpinelli
MANAGER FINANCIAL SERVICES
STATE SUPERANNUATION OFFICE

Date 14 Sep / 2016

INDEPENDENT AUDITOR'S REPORT



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Auditor-General's Department

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To the Presiding Member South Australian Superannuation Board Southern State Superannuation Scheme

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and subsection 15(3) of the *Southern State Superannuation Act 2009*, I have audited the accompanying financial report of the Southern State Superannuation Scheme for the financial year ended 30 June 2016. The financial report comprises:

- an Operating Statement for the year ended 30 June 2016
- a Statement of Financial Position as at 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 Presiding Member of the South Australian Superannuation Board, General Manager, State Superannuation Office and the Manager, Financial Services, State Superannuation Office.

The members of the South Australian Superannuation Board's responsibility for the financial report

The members of the South Australian Superannuation 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 South Australian Superannuation 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.

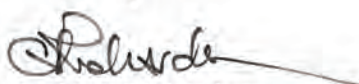
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. 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 South Australian Superannuation 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 State Superannuation Office's (Super SA) 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 Southern State Superannuation Scheme 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

20 September 2016

Super SA Retirement Investment Fund

Financial report
for the year ended
30 June 2016

Super SA Retirement Investment Fund
Operating Statement for the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
INVESTMENT AND OTHER REVENUE:			
Investment Revenue		107 824	178 456
Other Revenue		4 657	5 086
CONTRIBUTION REVENUE:			
Contributions by Investors	1(a)	71 444	81 506
Government Co-Contributions		75	69
Rollovers from Other Schemes		887 181	845 617
Total Contribution Revenue		958 700	927 192
Total Revenue		1 071 181	1 110 734
EXPENSES:			
Direct Investment Expenses	3	13 613	12 023
Administration Expenses	4	1 945	1 965
Total Expenses		15 558	13 988
INCOME TAX EXPENSE	19 (a), (b)	73 296	81 258
BENEFITS ACCRUED AS A RESULT OF OPERATIONS		982 327	1 015 488

The Operating Statement should be read in conjunction with the accompanying notes

Statement of Financial Position as at 30 June 2016

	Note	2016 \$'000	2015 \$'000
INVESTMENTS:			
Inflation Linked Securities B		304 134	282 610
Property B		324 820	201 273
Australian Equities B		565 480	481 191
International Equities B		482 053	444 735
Long Term Fixed Interest		217 422	159 976
Short Term Fixed Interest		212 025	181 043
Diversified Strategies - Growth B		155 585	118 526
Diversified Strategies - Income		511 371	383 329
Cash		365 765	356 573
Socially Responsible		46 773	47 911
	10	3 185 428	2 657 167
OTHER ASSETS:			
Cash and Cash Equivalents	7	24 756	22 206
Receivables	14	1 270	884
		26 026	23 090
Total Assets		3 211 454	2 680 257
CURRENT LIABILITIES:			
Benefits Payable	8	8 070	4 469
Payables	15	44	36
PAYG Withholding Tax		83	92
Current Tax Liabilities	19 (c)	16 661	18 455
		24 858	23 052
NON-CURRENT LIABILITIES:			
Deferred Tax Liabilities	19 (d)	6 111	5 600
		6 111	5 600
Total Liabilities		30 969	28 652
NET ASSETS AVAILABLE TO PAY BENEFITS	9	3 180 485	2 651 605
REPRESENTED BY:			
LIABILITY FOR ACCRUED BENEFITS:			
Allocated to Investors' Accounts	5,17	3 167 322	2 650 051
Not Allocated to Investors' Accounts	6	(325)	(6 439)
		3 166 997	2 643 612
RESERVES:			
Administration Fee Reserve	11	8 305	3 573
Insurance Reserve	12	1 456	1 186
Operational Risk Reserve	13	3 727	3 234
		13 488	7 993
	16	3 180 485	2 651 605

The Statement of Financial Position should be read in conjunction with the accompanying notes

Super SA Retirement Investment Fund

Statement of Cash Flows for the year ended 30 June 2016

		Inflows (Outflows) \$'000	2016 Inflows (Outflows) \$'000	2015 Inflows (Outflows) \$'000
	Note			
CASH FLOWS FROM OPERATING ACTIVITIES:				
Contributions Received:				
Contributions by Investors		71 444		81 505
Government Co-Contributions		75		69
Rollovers from Other Schemes		<u>886 797</u>		<u>844 794</u>
			958 316	926 368
GST Recovered from the ATO			133	103
Interest Received			550	711
Transfer from SSS Insurance Reserve			-	1 000
Benefits Paid:				
Full Withdrawal		(56 608)		(57 872)
Invalidity		(144)		-
Death		(1 930)		(860)
Partial Withdrawal		(79 867)		(72 430)
Income Stream Pension Payments		(150 763)		(117 161)
Income Stream Commutations		<u>(160 543)</u>		<u>(141 357)</u>
			<u>(449 855)</u>	<u>(389 680)</u>
Administration Expenses Paid			(2 080)	(2 067)
Income Tax Expenses			<u>(74 579)</u>	<u>(75 464)</u>
Net Cash provided by Operating Activities	18		<u>432 485</u>	<u>460 971</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Receipts from Funds SA			325 185	352 351
Payments to Funds SA			<u>(755 120)</u>	<u>(813 004)</u>
Net Cash (used in) Investing Activities			<u>(429 935)</u>	<u>(460 653)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD			2 550	318
CASH AND CASH EQUIVALENTS AT 1 JULY			<u>22 206</u>	<u>21 888</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	7		<u>24 756</u>	<u>22 206</u>

The Statement of Cash Flows should be read in conjunction with the accompanying notes

Super SA Retirement Investment Fund

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) **Super SA Retirement Investment Fund (the Fund)**

The Flexible Rollover Product and the Super SA Income Stream Product were introduced from April 2005 under the now repealed *Southern State Superannuation Act 1994*.

The Fund continues in existence under Section 30(9) of the *Southern State Superannuation Act 2009* ("the Act") which provides that the Governor may make regulations enabling the South Australian Superannuation Board ("the Board") to provide investment services and the provision of other products and services for the benefit of persons who have retired or otherwise ceased to be employed.

Part 3 Division 4 of the *Southern State Superannuation Regulations 2009* ("the Regulations") provides that the Board may accept money from public sector superannuation beneficiaries or the spouses of public sector beneficiaries.

The Fund comprises of two different products; the Flexible Rollover Product and the Income Stream.

The Flexible Rollover Product may receive after-tax investor contributions and rollovers from investors.

The Income Stream may only receive rollovers from investors.

The Fund offers investors the opportunity to reinvest funds, providing them with tax advantages, low fees and choice of investment options.

The Fund is only available to investors who have retired, are reaching retirement age, or have terminated employment with the SA public sector. The Fund allows investors in the Flexible Rollover Product to maintain their current insurance through the Triple S Scheme, and provides access to non-preserved benefit amounts.

Benefits, represented by the balances of investors' accounts, are available to investors. The balance of individual investor entitlements is provided on annual statements forwarded to each investor.

Investor contributions are deposited by the Treasurer into the Fund which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

(b) **South Australian Superannuation Board**

The purpose of this financial report is to discharge the responsibilities of the Board under section 15 of the Act and Section 45 of the Regulations, to maintain proper accounts of receipts and payments.

The Act charges the Board with responsibility for all aspects of the administration of the Act except for the management and investment of the assets relating to the Flexible Rollover Product and Income Stream.

(c) **Superannuation Funds Management Corporation of South Australia**

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Funds SA Act). Funds SA is responsible for the investment and management of funds pursuant to strategies formulated by Funds SA. The Fund is not Crown property and therefore operates in a taxed environment.

For further information on investment activities, reference should be made to the annual report of Funds SA. The financial report of Funds SA discloses the investment assets, liabilities, income and expenses relating to the investment activities of Funds SA (a SA Government Entity).

(d) **Funding Arrangements**

Investments by investors in one or more of the products available in the Fund are paid to the Board, and invested by Funds SA. All investments are the personal property of the investor who makes the investment, and, as such, are subject to tax on investment earnings where applicable.

2. Summary of Significant Accounting Policies

(a) **Basis of Accounting**

This financial report is a general purpose financial report. The accounts have been prepared in accordance with relevant Australian Accounting Standards, Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*, except as provided below.

AAS 25 "Financial Reporting by Superannuation Plans" is the principal standard applied in preparing this financial report. Other Accounting Standards are also applied where necessary except to the extent that they differ from AAS 25.

This financial report has been prepared on an accrual basis where this can be reliably measured. This is in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

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

New Accounting Standard

On 5 June 2014, the Australian Accounting Standards Board (AASB) approved the new Accounting Standard AASB 1056 "Superannuation Entities" for adoption on 1 July 2016. The Standard replaces AAS 25 "Financial Reporting by Superannuation Plans" and comprehensively reforms the General Purpose Financial Reporting requirements applicable to superannuation entities.

Super SA Retirement Investment Fund

Summary of Significant Accounting Policies – Basis of Accounting (Continued)

Key changes resulting from the adoption of AASB 1056 include:

- Preparation of additional financial statements including a statement of changes in member benefits and statement of changes in equity;
- Broadly applying presentation principles and requirements of applicable Australian Accounting Standards as opposed to the requirements of AAS 25 that overrode certain requirements. This includes measuring assets and liabilities (previously measured at net market value) to fair value. Changes in fair value are to be reported in the income statement;
- Accounting for self-insurance arrangements as if they were life insurance contracts.

(b) **Investments**

The basis for the valuation of investments is provided below. Investments are measured at net market value as provided by Funds SA.

(i) Inflation Linked Securities B

The Inflation Linked Securities portfolio invests in discretely managed portfolios and internal inflation linked securities. Discretely managed portfolios are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date.

Internally managed inflation linked securities, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer.

(ii) Property B

Property B portfolio comprises two sub-sectors:

Listed property trusts

These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this sub-sector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

Unlisted property vehicles

The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian Equities B

The Australian Equities B portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International Equities B

The International Equities B portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) Short Term and Long Term Fixed Interest

The Short Term and Long Term Fixed Interest portfolios have exposure to domestic and global debt instruments and is managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified Strategies Growth B

The Diversified Strategies Growth B portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cashflows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2012). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies Income

The Diversified Strategies Income portfolio comprises investments in discretely managed investments and Australian and international pooled funds, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) Cash

The Cash portfolio is externally managed. The investments are held in a cash management fund. Cash balances are supplied by the relevant financial institution and have been valued on the basis of principal plus accrued interest.

(ix) Socially Responsible Investment

The Socially Responsible Investment portfolio comprises an externally managed pooled vehicle (unlisted unit trust). The valuation is performed and supplied by the relevant fund manager.

Super SA Retirement Investment Fund

Summary of Significant Accounting Policies (Continued)

(c) **Income Tax**

The Fund is a complying superannuation fund within the provisions of the Income Tax Assessment Act 1997 and accordingly the concessional tax rate of 15% has been applied.

The Flexible Rollover Product and the Income Stream commenced on 1 April 2005 and are entitled to concessional tax treatment at the rate of 15 percent.

Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial report and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are estimated to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

(d) **Operation of Investment Portfolio**

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2016, Funds SA managed eight separate investment options distinguished by differing strategic asset allocations, namely:

- High Growth;
- Growth;
- Balanced;
- Moderate;
- Conservative;
- Capital Defensive;
- Cash; and
- Socially Responsible Investment.

During the financial year all of the above investment options were available to investors in the Flexible Rollover Product and the Income Stream.

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

(e) **Revenue**

Superannuation contributions and other revenue are recognised to the extent that it is probable that the flow of economic benefits to the Scheme will occur and can be reliably measured.

Investment revenue represents the change in market value due to the movement in the value of funds invested with Funds SA.

(f) **Receivables and Payables**

Receivables are carried at nominal amounts due which approximate fair value.

Payables are recognised when the Fund is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable comprises the entitlements of investors who requested payment and had provided the Fund with appropriate notification, but where the benefits had not been paid on or prior to year end.

Super SA Retirement Investment Fund

Summary of Significant Accounting Policies (Continued)

(g) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Fund 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.

(h) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position include 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.

(i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of the acquisition of the asset or as part of an item of the expense.

Private ruling issued by the Australian Taxation Office in October 2015 specifies the rate at which GST can be recovered through reduced input tax credits.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

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.

(j) 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 unless impracticable.

Where applicable, the restated comparative amounts do not replace the original financial statements for the preceding period.

3. Direct Investment Expenses

Direct investment expenses comprise of fees paid to Funds SA. Funds SA advises the amount based on the Fund's proportionate investment.

In 2015-16 the small increase in investment management expenses were largely attributable to increased funds under management driven by positive investor cash flows and modest investment market performance (costs are applied on a percentage basis of funds under management). For the year ended 30 June 2016 the amount for Direct Investment Expenses was \$13.613 million (2015 \$12.023 million).

4. Administration Expenses

	Flexible Rollover Product		Income Stream		Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administration Expenses (i)	764	913	1 135	1 014	1 899	1 927
Other Expenses (ii)	18	18	28	20	46	38
	782	931	1 163	1 034	1 945	1 965

(i) Administration expenses incurred by the Board in administering the Fund are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Board monthly. The charge for the year ended 30 June 2016, based on actual costs of administering the Fund, amounted to \$1.899 million (2015 \$1.927 million).

(ii) Other expenses include Auditor's remuneration. Amounts paid or due and payable to the Auditor-General's Department (a SA Government Entity) for the audit of the Fund for the reporting period totalled \$41,100 (2015 \$30,700). No other services were provided by the Auditor-General's Department.

5. Allocated to Investors' Accounts

The value of funds which have been formally allocated to investor accounts equals the Vested Benefits as per Note 17. The formal allocation of earnings to investors' accounts has been determined for the 2016 year.

6. Not Allocated to Investors' Accounts

All accumulation schemes carry a proportion of amounts yet to be allocated. This unallocated amount arises because the financial report of the Fund is prepared on an accrual basis while monies are allocated to investors on a cash basis.

Super SA Retirement Investment Fund

7. Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	Flexible Rollover Product		Income Stream		Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents per Statement of Financial Position	8 477	6 012	16 279	16 194	24 756	22 206
Cash and cash equivalents per Statement of Cash flows	8 477	6 012	16 279	16 194	24 756	22 206

8. Benefits Payable

	Flexible Rollover Product		Income Stream		Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Benefits Payable	4 130	1 717	3 940	2 752	8 070	4 469
	4 130	1 717	3 940	2 752	8 070	4 469

9. Net Assets Available to Pay Benefits

	Flexible Rollover Product		Income Stream		Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net Asset Available to Pay Benefits at 1 July	699 959	600 114	1 951 646	1 427 004	2 651 605	2 027 118
Add:						
Contributions by Investors	69 261	80 778	-	-	69 261	80 778
Rollovers from Other Schemes	286 313	299 531	600 868	546 086	887 181	845 617
Internal Transfers (i)	21 799	42 530	160 311	216 255	182 110	258 785
Investment Revenue	27 480	49 880	80 344	128 576	107 824	178 456
Government Co-Contributions	75	69	-	-	75	69
Spouse Contributions	2 183	728	-	-	2 183	728
Other Revenue (ii)	479	1 508	4 178	3 578	4 657	5 086
	407 590	475 024	845 701	894 495	1 253 291	1 369 519
Less:						
Benefits Paid and Payable	140 965	131 067	312 482	259 934	453 447	391 001
Internal Transfers (i)	152 283	206 083	29 827	52 702	182 110	258 785
Direct Investment Expense	3 498	3 323	10 115	8 700	13 613	12 023
Administration Expense	782	932	1 163	1 033	1 945	1 965
Income Tax	28 469	33 774	44 827	47 484	73 296	81 258
	325 997	375 179	398 414	369 853	724 411	745 032
Net Assets Available to Pay Benefits at 30 June	781 552	699 959	2 398 933	1 951 646	3 180 485	2 651 605

(i) Internal transfers are transfers between the Income Stream and the Flexible Rollover Product that do not appear in the Operating Statement as they occur within the Products. Difference in Internal Transfers between IS and FRP are due to transfers within the individual schemes, usually relating to family law splits.

(ii) In accordance with the Super SA Board's Unit Price Adjustment Policy (SUP 67) the Board at its 26 November 2014 meeting approved the transfer of \$1 million from the Southern State Superannuation Scheme's Death, Invalidity and Income Protection Insurance Reserve to partly offset against the Flexible Rollover Product's current investment fluctuation deficit. No transfers were made in the 2016 year.

10. Summary of Investments

	Flexible Rollover Product		Income Stream		Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Inflation Linked Securities B	71 112	71 232	233 022	211 378	304 134	282 610
Property B	79 095	53 570	245 725	147 703	324 820	201 273
Australian Equities B	138 379	128 507	427 101	352 684	565 480	481 191
International Equities B	117 792	118 402	364 261	326 333	482 053	444 735
Long Term Fixed Interest	51 344	41 228	166 078	118 748	217 422	159 976
Short Term Fixed Interest	50 365	45 358	161 660	135 685	212 025	181 043
Diversified Strategies - Growth B	39 024	32 684	116 561	85 842	155 585	118 526
Diversified Strategies - Income	122 519	99 636	388 852	283 693	511 371	383 329
Cash	102 444	102 160	263 321	254 413	365 765	356 573
Socially Responsible	15 224	14 150	31 549	33 761	46 773	47 911
	787 298	706 927	2 398 130	1 950 240	3 185 428	2 657 167

Super SA Retirement Investment Fund

11. Administration Fee Reserve

The surplus attributable to administration fees for both Income Stream and Flexible Rollover Product included in Funds Under Management were initially recognised in March 2014 as Administration Reserves. The reserves are credited with administration fees deducted from member accounts and debited with the costs incurred in administering the funds. The reserves are invested in the Balanced option and earnings are applied based on the unit price for that option.

	Flexible Rollover Product		Income Stream		Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance of Reserve	(1 554)	(917)	5 127	2 710	3 573	1 793
Add:						
Transfer to Reserve (i)	2 198	-	-	-	2 198	-
Investment Earnings (ii)	12	-	287	320	299	320
Premiums and Charges	320	276	3 814	3 111	4 134	3 387
	2 530	276	4 101	3 431	6 631	3 707
Less:						
Administration Fees (iii)	764	913	1 135	1 014	1 899	1 927
	764	913	1 135	1 014	1 899	1 927
Closing Balance of Reserve	212	(1 554)	8 093	5 127	8 305	3 573

(i) The amount relates to the accumulated sundry fee surplus and prior years tax surplus being realised.

(ii) 3.30% FRP, 3.99% IS (this represents the annual change in unit prices).

(iii) The amount relates to the annual service level agreement paid for administering the Schemes (refer to Note 4)

12. Insurance Reserve

The surplus attributable to the insurance pool for the Flexible Rollover Product was initially recognised in March 2014 as an Insurance Reserve. This reserve is credited with insurance deductions from member accounts and debited with the value of benefits paid to members. The reserve is invested in the Balanced option and earnings are applied based on the unit price for that option. Insurance is not available to Income Stream investors.

	Flexible Rollover Product		Income Stream		Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance of Reserve	1 186	836	-	-	1 186	836
Add:						
Investment Earnings (i)	44	76	-	-	44	76
Premiums and Charges	301	286	-	-	301	286
	345	362	-	-	345	362
Less:						
Benefit Payments	75	12	-	-	75	12
	75	12	-	-	75	12
Closing Balance of Reserve	1 456	1 186	-	-	1 456	1 186

(i) 3.30% FRP (this represents the annual change in unit prices).

13. Operational Risk Reserve

The Operational Risk Reserves for Income Stream and Flexible Rollover Product were established at 31 December 2012 of 0.20 percent of Funds Under Management. The reserves are invested in the Balanced option and earnings are applied based on the unit price for that option. From April 2016 members have been charged a fee (0.04% FRP, 0.05% IS) via a reduction to the unit prices in order to build the reserves to 0.25 percent of Funds Under Management.

	Flexible Rollover Product		Income Stream		Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance of Reserve	1 013	937	2 221	2 029	3 234	2 966
Add:						
Investment Earnings (i)	34	76	91	192	125	268
Premiums and Charges	78	-	292	-	370	-
	112	76	383	192	495	268
Less:						
Payments from Reserve	-	-	2	-	2	-
	-	-	2	-	2	-
Closing Balance of Reserve	1 125	1 013	2 602	2 221	3 727	3 234

(i) 3.30% FRP, 3.99% IS (this represents the annual change in unit prices).

Super SA Retirement Investment Fund

14. Receivables

	Flexible Rollover Product		Income Stream		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Refund from ATO for GST	15	13	22	14	37	27
Bank Interest Receivable	10	15	28	31	38	46
Rollovers Receivable	-	-	1 195	811	1 195	811
	25	28	1 245	856	1 270	884

15. Payables

	Flexible Rollover Product		Income Stream		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Audit Fees Payable	17	17	27	19	44	36
	17	17	27	19	44	36

16. Liability for Accrued Benefits

The liability for accrued benefits is the obligation to pay benefits to beneficiaries, calculated as the balance of investors' accounts plus the value of reserves and amounts not allocated to accounts.

	Flexible Rollover Product		Income Stream		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Liability for accrued benefits at 1 July	699 959	600 114	1 951 646	1 427 004	2 651 605	2 027 118
Add: Increase in Accrued Benefits	222 559	230 912	759 768	784 576	982 327	1 015 488
Less: Benefits Paid and Payable	140 965	131 067	312 482	259 934	453 447	391 001
Liability for Accrued Benefits at 30 June	781 553	699 959	2 398 932	1 951 646	3 180 485	2 651 605

17. Vested Benefits

Vested Benefits are benefits which are not conditional upon continued membership of the Fund, or any other factor. Vested Benefits include benefits which investors are entitled to receive had they terminated their membership as at the reporting date.

	Flexible Rollover Product		Income Stream		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Vested Benefits	773 264	698 341	2 394 058	1 951 710	3 167 322	2 650 051

18. Reconciliation of Benefits Accrued as a result of Operations to Net Cash provided by Operating Activities

	Flexible Rollover Product		Income Stream		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Benefits Accrued as a Result of Operations	222 559	230 912	759 768	784 576	982 327	1 015 488
Benefits Paid and Payable	(140 965)	(131 067)	(312 482)	(259 934)	(453 447)	(391 001)
Investment Revenue	(27 480)	(49 880)	(80 344)	(128 576)	(107 824)	(178 456)
Direct Investment Expense	3 498	3 323	10 115	8 700	13 613	12 023
Investors Admin Fee Received	(305)	(278)	(3 810)	(3 111)	(4 115)	(3 389)
(Increase)/Decrease in Receivables	3	5	(389)	(775)	(386)	(770)
Increase/(Decrease) in Benefits Payable	2 413	(86)	1 188	1 362	3 601	1 276
(Decrease)/Increase in Payables	-	(12)	8	2	8	(10)
Increase/(Decrease) in PAYG Withholding Tax	3	(10)	(12)	25	(9)	15
(Decrease)/Increase in Current Tax Liabilities	(1 687)	(2 883)	(107)	5 267	(1 794)	2 384
Decrease in Deferred Tax Asset	-	-	-	-	-	-
(Decrease)/Increase in Deferred Tax Liabilities	511	3 411	-	-	511	3 411
Net Cash provided by Operating Activities	58 550	53 435	373 935	407 536	432 485	460 971

Super SA Retirement Investment Fund

19. Income Tax

	Flexible Rollover Product		Income Stream		Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Major Components of Tax Expense						
Current income tax						
Current tax charge	28 400	30 358	46 379	46 815	74 779	77 173
Adjustment to current tax for prior periods	(445)	16	(1 550)	658	(1 995)	674
Deferred income tax						
Relating to the originating and reversal of temporary differences	586	3 245	-	-	586	3 245
Adjustment to deferred tax for prior periods	(74)	166	-	-	(74)	166
Income Tax Expense	28 467	33 785	44 829	47 473	73 296	81 258
(b) Income Tax Expense						
Benefits accrued before tax	251 027	264 687	804 595	832 059	1 055 622	1 096 746
Tax applicable at the rate of 15% (2015:15%)	37 654	39 704	120 689	124 808	158 343	164 512
Tax effect of expenses that are not deductible in determining taxable Non deductible expenses	-	-	16	113	16	113
Tax effect of income/(losses) that is not assessable/deductible in determining taxable Income	(293)	(1 926)	-	-	(293)	(1 926)
Investment revenue	(6 317)	(3 185)	(56 209)	(56 532)	(62 526)	(59 717)
Member contributions and transfer in Exempt pension income	-	-	(11 161)	(18 543)	(11 161)	(18 543)
Tax effect of other adjustments						
Imputation and foreign tax credits	(1 958)	(941)	(6 886)	(2 964)	(8 844)	(3 905)
Over provision prior period	(519)	182	(1 550)	659	(2 069)	841
Self-Insurance Deduction	(55)	(49)	-	-	(55)	(49)
Anti-Detriment Deductions	(45)	-	(70)	(68)	(115)	(68)
Income Tax Expense	28 467	33 785	44 829	47 473	73 296	81 258
(c) Current Tax Liabilities						
Balance at beginning of year	5 675	8 542	12 780	7 529	18 455	16 071
Income tax paid - current period	(24 417)	(24 684)	(33 703)	(34 034)	(58 120)	(58 718)
Income tax paid - prior periods	(5 260)	(8 557)	(11 351)	(8 188)	(16 611)	(16 745)
Current years income tax provision	28 400	30 358	46 379	46 815	74 779	77 173
Over provision prior period	(414)	16	(1 428)	658	(1 842)	674
	3 984	5 675	12 677	12 780	16 661	18 455
(d) Deferred Tax Liabilities						
The amount of deferred tax liabilities recognised in the Statement of Financial Position at reporting date is made up as follows:						
Accrued Expenses	(3)	(2)	-	-	(3)	(2)
Realised capital losses carried forward (discounted)	(1 608)	(2 084)	-	-	(1 608)	(2 084)
Unrealised capital gains carried forward (discounted)	7 722	7 686	-	-	7 722	7 686
	6 111	5 600	-	-	6 111	5 600

Super SA Retirement Investment Fund

20. Financial Instruments

The Fund's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Fund and is in accordance with the Fund's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Fund's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Fund are discussed below. This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Fund's investment risk management framework.

The Fund's investment risk management policies are established to identify and analyse the risks faced by the Fund, including those risks managed by the Fund's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Board receives regular reports from Funds SA concerning compliance with the Fund's investment objectives.

a) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

1. Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund's currency risk is managed by Funds SA who has invested in assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the international equities asset class are 50 percent hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above, by Funds SA.

II. Interest rate risk

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

Funds SA manages interest rate risk through:

- Ensuring asset allocations of different investment products are consistent with the time horizon of each.
- The use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.
- The Scheme's receivables and payables are non-interest bearing. The carrying amounts of these assets approximate to fair value.

III. Other market price risk

Other market price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Fund's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Operating Statement, all changes in market conditions will directly affect investment revenue.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

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

Super SA Retirement Investment Fund

Financial Instruments (Continued)

IV. Sensitivity analysis

The Funds SA Board has determined that its forecast risk/return profile provides a reasonable measure of the sensitivity of the expected returns in each investment option in the year ahead. The following tables show the standard deviation around expected nominal returns for each investment option for each scheme.

Income Stream

2016

Income Stream Investment Option	Sensitivity variable	Expected Nominal Return	Nominal Standard Deviation
High Growth	Nominal standard deviation	8.7%	12.1%
Growth	Nominal standard deviation	8.0%	10.2%
Balanced	Nominal standard deviation	7.4%	8.9%
Moderate	Nominal standard deviation	6.5%	6.9%
Conservative	Nominal standard deviation	5.7%	5.1%
Capital Defensive	Nominal standard deviation	4.7%	3.4%
Cash	Nominal standard deviation	2.9%	1.5%
Socially Responsible	Nominal standard deviation	6.6%	10.2%

2015

Income Stream Investment Option	Sensitivity variable	Expected Nominal Return	Nominal Standard Deviation
High Growth	Nominal standard deviation	8.5%	11.9%
Growth	Nominal standard deviation	7.8%	10.0%
Balanced	Nominal standard deviation	7.2%	8.8%
Moderate	Nominal standard deviation	6.3%	6.8%
Conservative	Nominal standard deviation	5.5%	5.1%
Capital Defensive	Nominal standard deviation	4.6%	3.3%
Cash	Nominal standard deviation	2.9%	1.3%
Socially Responsible	Nominal standard deviation	6.6%	10.3%

Flexible Rollover Product

2016

FRP Investment Option	Sensitivity variable	Expected Nominal Return	Nominal Standard Deviation
High Growth	Nominal standard deviation	7.6%	10.9%
Growth	Nominal standard deviation	7.0%	9.1%
Balanced	Nominal standard deviation	6.5%	8.0%
Moderate	Nominal standard deviation	5.7%	6.2%
Conservative	Nominal standard deviation	4.9%	4.6%
Capital Defensive	Nominal standard deviation	4.1%	3.0%
Cash	Nominal standard deviation	2.5%	1.3%
Socially Responsible	Nominal standard deviation	5.7%	9.2%

Super SA Retirement Investment Fund

Financial Instruments (Continued)

2015

FRP Investment Option	Sensitivity variable	Expected Nominal Return	Nominal Standard Deviation
High Growth	Nominal standard deviation	7.5%	10.7%
Growth	Nominal standard deviation	6.8%	9.0%
Balanced	Nominal standard deviation	6.3%	7.9%
Moderate	Nominal standard deviation	5.5%	6.1%
Conservative	Nominal standard deviation	4.8%	4.5%
Capital Defensive	Nominal standard deviation	4.0%	2.9%
Cash	Nominal standard deviation	2.5%	1.1%
Socially Responsible	Nominal standard deviation	5.8%	9.3%

Standard deviation is a useful historical measure of the variability of returns earned by an investment portfolio. The standard deviations shown above represent the range at which actual future returns are expected to occur either side of the nominal return approximately two thirds of the time.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

b) Credit Risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The net market value of financial assets, included in the Statement of Financial Position represents the Fund's maximum exposure to credit risk in relation to those assets. The Fund does not have any significant exposure to any individual counter party or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Fund does not have any assets which are past due or impaired and there is no concentration of credit risk.

c) Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's liquidity position is monitored on a daily basis. The Fund's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Fund's financial liabilities based on the earliest date on which the Fund can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

30 June 2016	Less than 3 Months \$'000	Total Contractual Cash Flows \$'000	Carrying Amount Liabilities \$'000
Benefits Payable	8 070	8 070	8 070
Vested Benefits (ii)	3 167 219	3 167 219	3 167 219
Total	3 175 289	3 175 289	3 175 289

Super SA Retirement Investment Fund

Liquidity Risk (Continued)

30 June 2015	Less than 3 Months \$'000	Total Contractual Cash Flows \$'000	Carrying Amount Liabilities \$'000
Benefits Payable	4 469	4 469	4 469
Vested Benefits (ii)	2 650 051	2 650 051	2 650 051
Total	2 654 520	2 654 520	2 654 520

- (i) Payable amounts disclosed here exclude amounts relating to statutory payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees).
- (ii) Vested benefits have been included in the less than 3 months column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Fund can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

d) Fair Value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly 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).

Financial assets at fair value through profit or loss Level 1 and level 3 are not relevant to the Fund

**Level 2
\$'000**

30 June 2016

Unlisted managed investment schemes
Funds SA

3 185 428

3 185 428

30 June 2015

Unlisted managed investment schemes
Funds SA

2 657 167

2 657 167

e) Derivative Financial Instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

21. Related Parties

Details of the members of the Board and their remuneration for the 2015-16 financial year are disclosed in the notes to the Super SA Board's financial statements.

22. Events after the reporting period

There were no significant events after the reporting period.

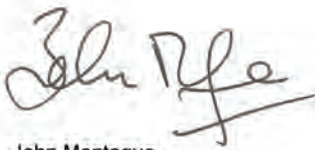
Super SA Retirement Investment Fund

Certification of the Financial Report

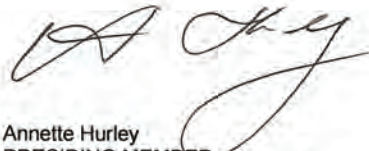
We certify that the attached general purpose financial report for the Super SA Retirement Investment Fund:

- complies with any relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- is in accordance with the accounts and records of the Fund; and
- presents a true and fair view of the financial position of the Fund 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 Fund for the financial year over its financial reporting and its preparation of the general purpose financial report have been effective throughout the reporting period.



John Montague
GENERAL MANAGER
STATE SUPERANNUATION OFFICE



Annette Hurley
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Mark Carpinelli
MANAGER FINANCIAL SERVICES
STATE SUPERANNUATION OFFICE

Date 14 Sep 2016

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Presiding Member South Australian Superannuation Board Super SA Retirement Investment Fund

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and subsection 15(3) of the *Southern State Superannuation Act 2009*, I have audited the accompanying financial report of the Super SA Retirement Investment Fund for the financial year ended 30 June 2016. The financial report comprises:

- an Operating Statement for the year ended 30 June 2016
- a Statement of Financial Position as at 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 Presiding Member of the South Australian Superannuation Board, General Manager, State Superannuation Office and the Manager, Financial Services, State Superannuation Office.

The members of the South Australian Superannuation Board's responsibility for the financial report

The members of the South Australian Superannuation 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 South Australian Superannuation 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.

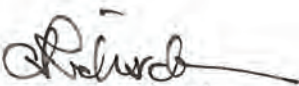
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. 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 South Australian Superannuation 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 State Superannuation Office's (Super SA) 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 Super SA Retirement Investment Fund 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

20 September 2016

Parliamentary Superannuation Scheme

Financial report
for the year ended
30 June 2016

Parliamentary Superannuation Scheme
Operating Statement for the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
INVESTMENT AND OTHER REVENUE:			
Investment Revenue		10 138	22 952
Other Revenue		18	7
Contribution Revenue:			
Contributions by Members	1(d)	570	533
Contributions by Employers	1(d)	4 163	3 815
Rollovers from Other Schemes		197	1 089
Total Contribution Revenue		4 930	5 437
Total Revenue		15 086	28 396
EXPENSES:			
Direct Investment Expenses	4	1 602	1 587
Administration Expenses	5	238	245
Benefit Expenses	7	26 836	14 059
Total Expenses		28 676	15 891
OPERATING RESULT FOR THE PERIOD		(13 590)	12 505

The Operating Statement should be read in conjunction with the accompanying notes

Statement of Financial Position as at 30 June 2016

	Note	2016 \$'000	2015 \$'000
INVESTMENTS:			
Inflation Linked Securities A		13 732	16 694
Property A		33 372	32 976
Australian Equities A		55 845	54 994
International Equities A		56 164	58 821
Long Term Fixed Interest		6 985	4 918
Short Term Fixed Interest		441	384
Diversified Strategies - Growth A		25 351	22 157
Diversified Strategies - Income		36 572	31 627
Cash		5 604	7 942
Socially Responsible Investment		840	643
		234 906	231 156
OTHER ASSETS:			
Cash and Cash Equivalents	10	28	722
Contributions Receivable		6	3
Receivables		9	7
		43	732
Total Assets		234 949	231 888
CURRENT LIABILITIES:			
Payables		16	17
Benefits Payable		165	111
Total Liabilities		181	128
NET ASSETS AVAILABLE TO PAY BENEFITS	6	234 768	231 760
Less: LIABILITY FOR ACCRUED BENEFITS	7	218 759	202 161
EXCESS OF NET ASSETS OVER LIABILITIES		16 009	29 599

The Statement of Financial Position should be read in conjunction with the accompanying notes

Parliamentary Superannuation Scheme

Statement of Cash Flows for the year ended 30 June 2016

			2016	2015
		Inflows	Inflows	Inflows
		(Outflows)	(Outflows)	(Outflows)
	Note	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Contributions Received:				
Contributions by Members		569		536
Contributions by Employers		4 160		3 824
Rollovers from Other Schemes		197		1 090
Miscellaneous Revenue		14		-
			4 940	5 450
Bank Interest Received			4	8
GST Recovered from the ATO			14	14
Benefits Paid:				
Pensions		(10 022)		(10 214)
Commutations		-		(2 508)
Lump Sums		(135)		(9)
Partial Withdrawal		(27)		-
			(10 184)	(12 731)
Administration Expenses Paid			(254)	(258)
Net Cash (used in) Operating Activities	9		(5 480)	(7 517)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Receipts from Funds SA			10 355	14 079
Payments to Funds SA			(5 569)	(6 171)
Net Cash provided by Investing Activities			4 786	7 908
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS HELD			(694)	391
CASH AND CASH EQUIVALENTS AT 1 JULY			722	331
CASH AND CASH EQUIVALENTS AT 30 JUNE	10		28	722

The Statement of Cash Flows should be read in conjunction with the accompanying notes

Parliamentary Superannuation Scheme

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) Parliamentary Superannuation Scheme

The Parliamentary Superannuation Scheme (the Scheme) is a compulsory superannuation scheme which exists pursuant to the *Parliamentary Superannuation Act 1974* (the Act). The Act provides for the payment of superannuation benefits to persons who have served as members of Parliament and makes provisions for the families of such persons.

The *Parliamentary Superannuation (Scheme for New Members) Amendment Act 2005* ("the Amendment Act") was proclaimed to come into operation on 15 September 2005. The Amendment Act amended the principal Act by closing the existing scheme ('new scheme') now known as the PSS2 scheme. PSS1 ('old scheme') was closed to new entrants in 1995. The current scheme is known as PSS3.

Contributions are deposited by the Treasurer into the Parliamentary Superannuation Fund (the Fund), established under section 13 of the Act. A separate division of the Fund has been established for the PSS3 scheme. The Fund is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

PSS1 and PSS2 members are entitled to pension based benefits determined in accordance with the Act to be a percentage of the members' salary. A member may elect to commute to a lump sum a percentage of their pension entitlement. PSS3 members are entitled to an accumulation style benefit.

(b) The South Australian Parliamentary Superannuation Board

The Act charges the South Australian Parliamentary Superannuation Board (the Board), a body corporate, with responsibility for all aspects of the administration of the Act except for the management and investment of the Fund. The Act also provides the Board with the necessary powers to administer the Scheme. The Board, with the approval of the Treasurer, has contracted the Department of Treasury and Finance (DTF) to provide the administrative services through a Service Level Agreement.

Under the terms of the Act, the Board is required to determine rates of return to be credited to each division of the Fund, with those rates being credited to each contribution account at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by Funds SA for each division of the Fund.

(c) Superannuation Funds Management Corporation of South Australia (Funds SA)

Funds SA is a SA Government Entity established under the *Superannuation Funds Management Corporation of South Australia Act 1995* ("the Funds SA Act"). Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Scheme, reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expenses contained in these financial statements are related to the investment activities of Funds SA.

(d) Funding Arrangements

Under Section 39(1) of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a Special Deposit Account with DTF established for that purpose. During the period ended 30 June 2016 all payments were made from a Special Deposit Account.

For PSS1 and PSS2 members, Section 14A of the Act requires every member of Parliament with less than 20 years and one month's service, to make contributions of 11.5 percent of their base salary (including any additional salary) to the Treasurer. Section 14A(2) requires members of Parliament with 20 years and one month's service or over, to make contributions of 5.75 percent of their base salary and 11.5 percent of any additional salary. Under Section 14B of the Act PSS3 members can elect to make contributions at a whole number percentage of the combined value of their salary and any additional salary. A separate contribution account is maintained for each member. Members' contributions are paid to the Treasurer who deposits those contributions into the Parliamentary Superannuation Fund, with \$570,000 (2015 \$533,000) being credited during the year ended 30 June 2016.

Employer contributions are paid to the Treasurer from SA Government entities to fund emerging superannuation liabilities. For PSS1 and PSS2 members, the employer contribution is 2.75 times the member's contribution. For PSS3 members, the employer contribution is 15.4 percent of salary. A separate employer contribution account is maintained for each PSS3 member. These contributions are deposited into the Scheme, with \$4.163 million (2015 \$3.815 million) being credited during the year ended 30 June 2016.

Since 30 June 1994, the Government has undertaken a process of funding its accrued past service liabilities and the Scheme assets have broadly matched liabilities since 1997. The small size of the Scheme, the nature of the way member benefits accrue, the effect of elections and variations in investment performance mean that deficits and surpluses will arise from year to year.

Parliamentary Superannuation Scheme

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

This financial report is a general purpose financial report. The accounts have been prepared in accordance with relevant Australian Accounting Standards and Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*, except as provided below.

The principal standard applied in preparing this financial report is AAS 25 "Financial Reporting by Superannuation Plans". Other Accounting Standards are also applied where necessary except to the extent that they differ from AAS 25.

This financial report has been prepared on an accrual basis where this can reliably be measured. This is in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

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

New Accounting Standard

On 5 June 2014, the Australian Accounting Standards Board (AASB) approved the new Accounting Standard AASB 1056 "Superannuation Entities" for adoption on 1 July 2016. The Standard replaces AAS 25 "Financial Reporting by Superannuation Plans" and comprehensively reforms the General Purpose Financial Reporting requirements applicable to superannuation entities.

Key changes resulting from the adoption of AASB 1056 include:

- Preparation of additional financial statements including a statement of changes in member benefits and statement of changes in equity;
- Broadly applying presentation principles and requirements of applicable Australian Accounting Standards as opposed to the requirements of AAS 25 that overrode certain requirements. This includes measuring assets and liabilities (previously measured at net market value) to fair value. Changes in fair value are to be reported in the income statement.

(b) Investments

The basis for the valuation of investments is provided below. Investments are measured at net market value as provided by Funds SA.

(i) Inflation Linked Securities A

The Inflation Linked Securities portfolio invests in discretely managed portfolios and internal inflation linked securities. Discretely managed portfolios are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date.

Internally managed inflation linked securities, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer.

(ii) Property A

The Property A portfolio comprises two sub-sectors:

Listed Property Trusts

These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this sub-sector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

Unlisted property vehicles

The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian Equities A

The Australian Equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International Equities A

The International Equities A portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

Parliamentary Superannuation Scheme

Summary of Significant Accounting Policies (Continued)

(v) Short Term and Long Term Fixed Interest

The Short Term and Long Term Fixed Interest portfolios have exposure to domestic and global debt instruments and is managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified Strategies Growth A

The Diversified Strategies Growth A portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cashflows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2012). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies Income

The Diversified Strategies Income portfolio comprises investments in discretely managed investments and Australian and international pooled funds, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) Cash

The Cash portfolio is externally managed. The investments are held in a cash management fund. Cash balances are supplied by the relevant financial institution and have been valued on the basis of principal plus accrued interest.

(ix) Socially Responsible Investment

The Socially Responsible Investment portfolio comprises an externally managed pooled vehicle (unlisted unit trust). The valuation is performed and supplied by the relevant fund manager.

(c) **Taxation**

The Scheme is a constitutionally protected superannuation fund in terms of Section 295-15 of the *Income Tax Assessment Act 1997*, Regulation 995-1.04 (Schedule 4) and is exempt from income tax.

(d) **Operation of Investment Portfolio**

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2016, Funds SA managed eight separate investment options distinguished by differing strategic asset allocations, namely:

- High Growth;
- Growth;
- Balanced;
- Moderate;
- Conservative;
- Capital Defensive;
- Cash; and
- Socially Responsible.

During the financial year all of the above investment options were available to PSS3 members. The assets of the remainder of the Parliamentary Superannuation Scheme are invested in the Growth option.

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

(e) **Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Private ruling issued by the Australian Taxation Office in October 2015 specifies the rate at which GST can be recovered through reduced input tax credits.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

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.

Parliamentary Superannuation Scheme

Summary of Significant Accounting Policies (Continued)

(f) Revenue

Superannuation contributions and other revenue are recognised to the extent that it is probable that the flow of economic benefits to the Scheme will occur and can be reliably measured.

Investment revenue represents the change in market value due to the movement in the value of funds invested with Funds SA.

(g) 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 unless impracticable.

Where applicable, the restated comparative amounts do not replace the original financial statements for the preceding period.

(h) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the scheme 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.

(i) Cash and cash equivalents

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

Cash is measured at nominal value.

3. Transfers to/from Consolidated Account

From the 2013-14 financial year a change in process was agreed between the Government Accounting, Reporting and Procurement Branch of the Department of Treasury and Finance and Super SA whereby the transfer to/from the Consolidated Account if determined will occur after reporting date. An assessment of the 2014-15 outcome resulted in no requirement for a transfer to or from the Consolidated Account for the reporting period (2015 Nil).

4. Direct Investment Expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment. For the year ended 30 June 2016 the amount for Direct Investment Expenses was \$1.602 million (2015 \$1.587 million).

5. Administration Expense

	2016 \$'000	2015 \$'000
Administration Expenses ⁽ⁱ⁾	218	222
Other Expenses ⁽ⁱⁱ⁾	16	15
Consultancy Expenses ⁽ⁱⁱⁱ⁾	4	8
	<u>238</u>	<u>245</u>

- i. Administration Expenses comprises the costs incurred by the Department of Treasury and Finance in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Scheme.
- ii. Auditor's remuneration comprises amounts paid or due and payable to the Auditor-General's Department (a SA Government Entity) for the audit of the Scheme. For the reporting period these totalled \$15,800 (2015 \$15,400). No other services were provided by the Auditor-General's Department.
- iii. Consultancy Expenses are in relation to actuarial services provided by Brett & Watson Pty Ltd regarding the valuation of accrued benefits liability in accordance with AAS25.

Parliamentary Superannuation Scheme

6. Net Assets Available to Pay Benefits

	2016 \$'000	2015 \$'000
(a) PSS1 and PSS2 Division		
Net Assets Available to Pay Benefits at 1 July	214 883	205 588
<i>Add</i>		
Contributions by Members	570	533
Contributions by Employers	1 637	1 514
Investment Revenue	9 356	21 625
Other Revenue	18	7
	<u>11 581</u>	<u>23 679</u>
<i>Less:-</i>		
Benefits Paid	10 209	12 644
Administration Expenses	238	245
Direct Investment Expenses	1 487	1 495
	<u>11 934</u>	<u>14 384</u>
Net Assets Available to Pay Benefits at 30 June	<u>214 530</u>	<u>214 883</u>
(b) PSS3 Division		
Net Assets Available to Pay Benefits at 1 July	16 877	12 261
<i>Add</i>		
Contributions by Employers	2 526	2 301
Rollovers from Other Schemes	197	1 089
Investment Revenue	782	1 327
	<u>3 505</u>	<u>4 717</u>
<i>Less:-</i>		
Benefits Paid	29	9
Direct Investment Expenses	115	92
	<u>144</u>	<u>101</u>
Net Assets Available to Pay Benefits at 30 June	<u>20 238</u>	<u>16 877</u>
TOTAL NET ASSETS	<u>234 768</u>	<u>231 760</u>

7. Liability for Accrued Benefits

The liability for accrued benefits is the Scheme's present obligation to pay benefits to members and has been calculated on the basis of the present value of expected future payments arising from membership of the Scheme up to the reporting date.

For PSS1 and PSS2 members, the accrued liabilities are the present value of expected future benefit payments arising from membership of the Scheme up to 30 June 2016. For PSS3 members, the accrued liability is the balance of the employee and employer contribution accounts as at 30 June 2016.

The expected future benefit payments have been determined using the same pensioner mortality assumptions as the 2013 triennial review of the South Australian Superannuation Scheme. The next triennial review of the South Australian Superannuation Scheme will be undertaken during the 2016-17 financial year as at 30 June 2016.

Salary increases of 1.5 percent per annum above the Adelaide Consumer Price Index (CPI) have been assumed. The CPI is assumed to be 2.5 percent. In accordance with Australian Accounting Standard AAS 25 "Financial Reporting by Superannuation Plans" the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate of 4.5 percent per annum above the CPI.

The accrued superannuation liability as determined by Bruce Watson, Fellow of the Institute of Actuaries of Australia from consulting actuaries Brett & Watson Pty Ltd is estimated at \$218.759 million (2015 \$202.161 million) as at 30 June 2016.

	2016 \$'000	2015 \$'000
Liability for Accrued Benefits at 1 July	202 161	200 755
Add: Benefit Expenses (i)	26 836	14 059
Less: Benefits Paid/Payable	<u>10 238</u>	<u>12 653</u>
Liability for Accrued Benefits at 30 June	<u>218 759</u>	<u>202 161</u>
Represented By:		
PSS 1 and PSS2 Division	198 464	185 255
PSS 3 Division	<u>20 295</u>	<u>16 906</u>
	<u>218 759</u>	<u>202 161</u>

i. This figure represents the change in Liability for Accrued Benefits plus Benefits Paid/Payable for the year.

Parliamentary Superannuation Scheme

8. Vested Benefits

Vested Benefits are benefits which are not conditional upon continued membership of the Scheme, or any factor other than resignation from the Scheme. Vested Benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date. The value of vested benefits is greater than the Liability for Accrued Benefits, as vested benefits are based on the involuntary expiration of service, and this would result in an entitlement to benefits occurring immediately. The vested superannuation liability is estimated at \$230.865 million (2015 \$213.250 million) as at 30 June 2016.

	2016 \$'000	2015 \$'000
Vested Benefits - PSS1 and PSS2 Division	210 570	196 344
Vested Benefits - PSS3 Division	20 295	16 906
	<u>230 865</u>	<u>213 250</u>

The liability for benefits from the Parliamentary Superannuation Scheme is met partly by the SA Government and partly by member contributions.

9. Reconciliation of Operating Result to Net Cash (used in) Operating Activities

	2016 \$'000	2015 \$'000
Operating Result	(13 590)	12 505
Benefit Expenses	26 836	14 059
Benefits Paid/Payable	(10 238)	(12 653)
Investment Revenue	(10 138)	(22 952)
Direct Investment Expenses	1 602	1 587
(Increase) / Decrease in Receivables	(2)	1
(Increase) / Decrease in Contributions Receivable	(3)	12
(Decrease) in Payables	(1)	(103)
Increase in Benefits Payable	54	27
Net Cash (used in) Operating Activities	<u>(5 480)</u>	<u>(7 517)</u>

10. Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2016 \$'000	2015 \$'000
Cash & Cash Equivalents per Statement of Financial Position	28	722
Cash & Cash Equivalents per Statement of Cash Flows	<u>28</u>	<u>722</u>

11. Financial Instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

Parliamentary Superannuation Scheme

Financial Instruments (Continued)

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

Funds SA makes available performance reports which are provided to the Board at least annually.

a) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

I. Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates.

The Scheme's currency risk is managed by Funds SA who has invested in assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the international equities asset classes are 50 percent hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above, by Funds SA.

II. Interest rate risk

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

Funds SA manages interest rate risk through:

- Ensuring asset allocations of different investment products are consistent with the time horizon of each.
- The use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.
- The Scheme's receivables and payables are non-interest bearing. The carrying amounts of these assets approximate fair value.

III. Other market price risk

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Operating Statement, all changes in market conditions will directly affect investment revenue.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

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

IV. Sensitivity analysis

The Funds SA Board has determined that their forecast risk/return profile provides a reasonable measure of the sensitivity of the expected returns in each investment option in the year ahead. The following tables show the standard deviation around expected nominal returns for each investment option.

2016

Investment Option	Sensitivity variable	Expected Nominal Return	Nominal Standard Deviation
High Growth	Nominal standard deviation	8.3%	12.0%
Growth	Nominal standard deviation	7.7%	10.2%
Balanced	Nominal standard deviation	7.1%	8.9%
Moderate	Nominal standard deviation	6.3%	6.9%
Conservative	Nominal standard deviation	5.5%	5.1%
Capital Defensive	Nominal standard deviation	4.6%	3.3%
Cash	Nominal standard deviation	2.9%	1.5%
Socially Responsible	Nominal standard deviation	6.2%	10.3%

Parliamentary Superannuation Scheme

Market Risk (Continued)

2015

Investment Option	Sensitivity variable	Expected Nominal Return	Nominal Standard Deviation
High Growth	Nominal standard deviation	8.2%	11.9%
Growth	Nominal standard deviation	7.5%	10.0%
Balanced	Nominal standard deviation	7.0%	8.8%
Moderate	Nominal standard deviation	6.1%	6.8%
Conservative	Nominal standard deviation	5.4%	5.1%
Capital Defensive	Nominal standard deviation	4.5%	3.2%
Cash	Nominal standard deviation	2.9%	1.3%
Socially Responsible	Nominal standard deviation	6.2%	10.4%

Standard deviation is a useful historical measure of the variability of returns earned by an investment portfolio. The standard deviations shown above represent the range at which actual future returns are expected to occur either side of the nominal return approximately two thirds of the time.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

b) Credit Risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets, included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counter party or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Scheme does not have any assets which are past due or impaired and there is no concentration of credit risk.

c) Liquidity Risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Scheme's liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemptions requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

30 June 2016	Less than 3 Months \$'000	Total Contractual Cash Flows \$'000	Carrying Amount Liabilities \$'000
Benefits payable	165	165	165
Vested benefits (see below)	230 865	230 865	230 865
	231 030	231 030	231 030

Parliamentary Superannuation Scheme

Liquidity Risk (Continued)

30 June 2015	Less than 3 Months \$'000	Total Contractual Cash Flows \$'000	Carrying Amount Liabilities \$'000
Benefits payable	111	111	111
Vested benefits (see below)	213 250	213 250	213 250
Total	213 361	213 361	213 361

Payable amounts disclosed here exclude amounts relating to statutory payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees).

Vested benefits have been included in the less than 3 months column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

d) Fair Value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly 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).

Financial assets at fair value through profit or loss Level 1 and level 3 are not relevant to the Scheme

**Level 2
\$'000**

30 June 2016

Unlisted managed investment schemes

Funds SA

234 906

234 906

30 June 2015

Unlisted managed investment schemes

Funds SA

231 156

231 156

e) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depends on, or is derived from, assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

12. Remuneration of board and committee member's

(a) Board Members

The following are members of the Parliamentary Superannuation Board who served during the course of the 2015-16 financial year.

Russell Wortley	Chairman
Michael Atkinson	Member
Tammie Pribanic	Member

(b) Board Member's Remuneration

In accordance with the Department of Premier and Cabinet Circular Number 016, government employees did not receive any remuneration for board/committee duties during the financial year.

13. Events after the reporting period

There were no significant events after the reporting period.

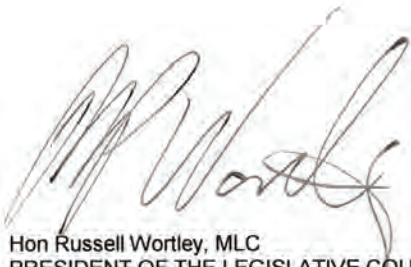
Parliamentary Superannuation Scheme

Certification of the Financial Report

We certify that the attached general purpose financial report for the Parliamentary Superannuation Scheme:

- complies with any 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 Scheme; and
- presents a true and fair view of the financial position of the Scheme as at 30 June 2016 and the results of its operation and cash flows for the financial year.

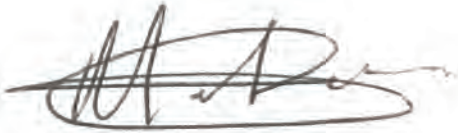
We certify that the internal controls employed by the Scheme for the financial year over its financial reporting and its preparation of the general purpose financial report have been effective throughout the reporting period.



Hon Russell Wortley, MLC
PRESIDENT OF THE LEGISLATIVE COUNCIL
CHAIRMAN, PARLIAMENTARY SUPERANNUATION BOARD



John Montague
GENERAL MANAGER
STATE SUPERANNUATION OFFICE



Mark Carpinelli
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To the Chairman Parliamentary Superannuation Board

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the accompanying financial report of the Parliamentary Superannuation Scheme for the financial year ended 30 June 2016. The financial report comprises:

- an Operating Statement for the year ended 30 June 2016
- a Statement of Financial Position as at 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, Parliamentary Superannuation Board, General Manager, State Superannuation Office and the Manager, Financial Services, State Superannuation Office.

The members of the Parliamentary Superannuation Board's responsibility for the financial report

The members of the Parliamentary Superannuation 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 Parliamentary Superannuation 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.

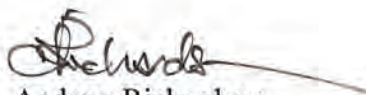
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. 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 Parliamentary Superannuation 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 Parliament 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 Parliamentary Superannuation Scheme 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 dark ink, appearing to read 'Richardson', with a long horizontal stroke extending to the right.

Andrew Richardson

Auditor-General

20 September 2016

Police Superannuation Scheme

Financial report
for the year ended
30 June 2016

Police Superannuation Scheme

Financial Statements for the year ended 30 June 2016

Statement of Net Assets as at 30 June 2016

	Note	\$'000	\$'000	2016 \$'000	2015 \$'000
INVESTMENTS					
Inflation Linked Securities A		85,038			101,630
Property A		212,576			204,338
Australian Equities A		354,906			339,993
International Equities A		356,948			363,595
Fixed Interest		40,842			27,844
Diversified Strategies – Growth A		162,391			138,085
Diversified Strategies – Income		231,973			195,240
Cash		35,045			46,820
Total Investments	9		1,479,719		1,417,545
Plus:					
OTHER ASSETS					
Cash and Cash Equivalents		984			619
Contributions Receivable		730			580
Sundry Debtors		16			8
Total Other Assets			1,730		1,207
Total Assets				1,481,449	1,418,752
Less:					
CURRENT LIABILITIES					
Benefits Payable		1,477			966
Sundry Creditors		141			146
Total Liabilities				1,618	1,112
NET ASSETS AVAILABLE TO PAY BENEFITS				1,479,831	1,417,640

Police Superannuation Scheme

Statement of Changes in Net Assets for the year ended 30 June 2016

	Note	\$'000	\$'000	2016 \$'000	2015 \$'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT 1 JULY				1,417,640	1,276,751
REVENUE					
Investment Revenue			63,524		138,772
Other Income			24		37
CONTRIBUTIONS REVENUE					
Past Service Liability	10	63,800			59,900
Employer Contributions		26,039			27,335
Member Contributions		6,152			6,418
Government Co-Contributions		2			2
Superannuation Guarantee Contributions		-			1
Total Contribution Revenue			95,993		93,656
Total Revenue			159,541		232,465
EXPENSES					
Direct Investment Expense	6		(10,075)		(9,615)
Administrative Expense	6		(720)		(616)
BENEFITS PAID	11				
Pensions		(69,757)			(63,932)
Commutations		(8,744)			(9,726)
Lump Sums		(8,052)			(7,684)
Government Co-Contributions		(2)			(2)
Superannuation Guarantee Contributions		-			(1)
Total Benefits Paid			(86,555)		(81,345)
Total Expenses			(97,350)		(91,576)
NET INCREASE IN FUNDS				62,191	140,889
NET ASSETS AVAILABLE TO PAY BENEFITS AT 30 JUNE				1,479,831	1,417,640

Police Superannuation Scheme

Notes to and Forming Part of the Financial Statements

1. Objectives and Funding

(a) Police Superannuation Scheme

The Police Superannuation Scheme (the Scheme) was created pursuant to the *Police Superannuation Act 1990* (the Act). The Act provides for superannuation benefits for Police Officers who are contributors to the Scheme.

Contributors to the Scheme are members of the Pension Division who are entitled to a pension based benefit. The Pension Division was closed to new members in May 1990.

Pursuant to the Act, contributors make contributions to the Scheme based on a percentage of their salary, with the standard contribution rate being between five and six percent. A contribution account is maintained for each contributor. There are no provisions under the Act for contributing members to purchase additional benefits.

The Act requires that contributions to the Scheme are paid to the Treasurer, who in turn deposits those contributions into the Scheme. The Scheme is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Scheme is made up of one division, being the Pension Division. The Pension Division consists of the Fund Old Scheme Account (the Fund) and the Police Employer Account and contributions paid to each account and the accretions arising from the investment of those contributions.

(b) Police Superannuation Board

The Police Superannuation Board (the Board), established under the Act, is responsible for the administration of the Scheme. The Act also provides the Board with the necessary powers to administer the Scheme. The Board, with the approval of the relevant Minister, has contracted the South Australia Police Department (SAPOL) to provide administrative services.

Pursuant to the Act, the Board is required to determine a rate of return which is credited to each contribution account within the Fund at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by the investment of the Fund.

Police Superannuation Scheme

(c) *Superannuation Funds Management Corporation of South Australia*

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Funds SA Act). Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Fund and the Police Employer Account, reference should be made to the financial report of Funds SA. The investment assets, liabilities, income and expense contained in these financial statements are related to the investment activities of Funds SA, an SA Government entity.

(d) *Funding Arrangements*

Pursuant to section 14 of the Act, all benefit payments are met from the Consolidated Account or a Special Deposit Account established for that purpose which is then reimbursed from the Fund and the Police Employer Account within the Pension Division. The Fund proportion is that amount charged against the contributor's contribution account. The prescribed proportion is determined by the Board, in accordance with section 14(3) of the Act, taking into account the most recent actuarial review.

The Treasurer may also seek reimbursement of the employer portion of the benefit payment from the employer contributions made by SAPOL which are deposited into the Police Employer Account. Employer contributions are based on a percentage of salary at rates based on actuarial valuations. The rate for 2015-2016 was 20.5 percent.

For 2015-2016 the Police Employer Account's and the Fund's prescribed proportions of benefit payments for members of the Scheme were 78 percent and 22 percent respectively in accordance with the recommendations of Mr G Keen, FIAA and Mr L Brett, FIAA of Brett and Watson Pty Ltd in the Actuarial Report as at 30 June 2014.

For the year ended 30 June 2016 \$26 million (\$27.3 million in 2014-2015) was deposited into the Police Employer Account in relation to employer contributions on behalf of members.

Police Superannuation Scheme

Since 30 June 1994 the Government adopted a policy of fully funding its superannuation liabilities with a target of achieving full funding by 2034. This will require contributions at levels higher than the current employer contributions to meet the accruing liability for current employees. For the year ended 30 June 2016 the Government transferred a further \$63.8 million (\$59.9 million in 2014-2015) to the Police Employer Account to meet liabilities in respect of the Scheme.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report prepared in accordance with relevant Australian Accounting Standards, Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the Public Finance and Audit Act 1987, except as provided below.

AAS 25 "Financial Reporting by Superannuation Plans" (AAS 25) is the principal standard applied in preparing this financial report. Other Accounting Standards are also applied where necessary except to the extent that they differ from AAS 25. A number of Australian Accounting Standards and interpretations that have recently been issued or amended, but are not yet effective, have not been adopted for the reporting period ending 30 June 2016. AASB 1056 *Superannuation Entities* was recently issued and becomes mandatory for the Board's financial statements in 2016-2017. The Board does not plan to adopt this standard early and the extent of the impact has not yet been determined.

The financial report has been prepared on an accrual basis and in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

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

(b) Basis of Valuations of Assets and Liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value, which are provided by Funds SA.

(i) Inflation Linked Securities A

The Inflation Linked Securities A portfolio comprises two sub-sectors:

Externally Managed Inflation Linked Securities

Externally managed inflation linked securities are invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.

Internally Managed Inflation Linked Securities

Internally managed inflation linked securities, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at the balance date was performed by an independent valuer.

(ii) Property A

The Property A portfolio comprises two sub-sectors:

Listed property trusts

The listed property trust portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolios using market prices applicable at the balance date.

Unlisted property vehicles

The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian Equities A

The Australian Equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date.

(iv) International Equities A

The International Equities A portfolio comprises investments in equities listed on international share markets and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at the balance date where applicable.

Police Superannuation Scheme

(v) Fixed Interest

The Long Term and Short Term Fixed Interest portfolios are invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.

(vi) Diversified Strategies - Growth A

The Diversified Strategies - Growth A portfolio comprises investments in domestic (Australian) and overseas private equity funds and domestic (Australian) and overseas pooled funds, which are invested and managed by external managers. Valuations of private equity funds are based on the most recently available valuations by the relevant managers. Both domestic and international funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (December 2012). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at the balance date where applicable.

(vii) Diversified Strategies - Income

The Diversified Strategies - Income portfolio comprises investments in both domestic (Australian) and overseas pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at the balance date where applicable.

(viii) Cash

Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(c) Taxation

The Scheme is a constitutionally protected superannuation fund in terms of Section 295-15 of the Income Tax Assessment Act 1997, Regulation 995-1.04 (Schedule 4) and is exempt from income tax. Therefore no income tax has been brought to account in this financial report.

(d) Revenue

Superannuation contributions and other revenue are brought to account on an accrual basis.

Police Superannuation Scheme

Investment revenue represents the change in market value due to the movement in the value of funds invested with Funds SA.

(e) Operation of Investment Portfolio

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2016, funds of the Scheme were invested in the Growth option.

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to the investment option.

(f) Receivables and Payables

Contributions receivable are contributions relating to the 2015-2016 financial year received by the Scheme after 30 June 2016.

Other receivables are carried at nominal amounts due which approximate fair value. Payables are recognised when the Scheme is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable relate to members who have ceased employment and provided the Scheme with appropriate notification prior to 30 June 2016 but who had not been paid until after 30 June 2016.

(g) Goods and Services Tax

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

Receivables and payables in the Statement of Net Assets are shown inclusive of GST.

(h) Comparative Information

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

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

Police Superannuation Scheme

3. Liability for Accrued Benefits

The present value of the accrued benefit liabilities of the Scheme has been determined by Mr G Keen, FIAA of Brett & Watson Pty Ltd and is shown below.

The accrued benefit liabilities are the present values of expected future benefit payments arising from membership of the Scheme up to 30 June 2016 and were based on membership data as at 30 June 2016.

The expected future benefit payments have been determined using the 2014 triennial review assumptions relating to mortality, disability, withdrawal, preservation, and retirement. The review's salary promotion scale has also been used, while general salary increases of 1.5 percent per annum above the level of increase in the Consumer Price Index (CPI) have been allowed for. In accordance with Australian Accounting Standard AAS25 "Financial Reporting by Superannuation Plans", the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate. A discount rate of 4.5 percent per annum above CPI has been applied.

Accrued Benefits		
	2016 \$'000 Pension Division	2015 \$'000 Pension Division
Changes in the liability for accrued benefits:		
Liability for accrued benefits at 1 July	2,004,564	1,980,947
Add: Benefits Expense	172,452	105,578
Less: Benefits Paid	86,555	81,345
Less: Administration Expense	720	616
Liability for accrued benefits at 30 June	2,089,741	2,004,564
Represented by		
Fund Old Scheme Account	460,799	442,034
Police Employer Account	1,628,942	1,562,530
Totals	2,089,741	2,004,564

Pursuant to the Act, actuarial reviews of the Scheme must be conducted every three years to address the cost of the Scheme to Government and the proportion of future benefits that can be met from the Fund. The actuarial reviews take account of assets held, future contributions to be received from members and future benefits to be paid by the Fund. In contrast, the purpose of the accrued liability calculations, which are made annually, is to estimate the value of future payments that can be attributed to service up to the date of the calculation.

Police Superannuation Scheme

The most recent actuarial review as at 30 June 2014 was carried out by Mr G Keen, FIAA and Mr B Watson, FIAA of Brett & Watson Pty Ltd. On 29 June 2015 the Board was provided with the Actuarial Report as at 30 June 2014 and the following recommendations were made in that report:

- a) The funding proportion for the Fund to be increased from 19 percent to 22 percent.
- b) The Government contribution for future service liabilities for the Pension Division remains at the current level of 20.5 percent.

During 2015-2016 the funding proportion for the Fund Old Scheme Account was 22 percent and the Government contribution for future service liabilities for 2015-2016 was 20.5 percent in line with the above recommendations.

The following table illustrates the unfunded liability of the Scheme as at 30 June 2016 and the previous year.

Unfunded Liability		
	2016 \$'000 Pension Division	2015 \$'000 Pension Division
Liability for accrued benefits at 30 June	2,089,741	2,004,564
Less net assets available to pay benefits at 30 June	1,479,831	1,417,640
Unfunded liability at 30 June	609,910	586,924
Represented by		
Fund Old Scheme Account	(22,870)	(36,926)
Police Employer Account	632,780	623,850
Totals	609,910	586,924

4. Vested Benefits

Vested benefits are benefits which are not conditional upon continued membership of the Scheme and include benefits which members would be entitled to receive on termination of membership of the Scheme.

Police Superannuation Scheme

When members resign from the Scheme, they have two options. Firstly, they can elect to take cash refunds of their own contributions, accumulated with interest, together with preserved employer benefits as required by Commonwealth Superannuation Guarantee legislation. Alternatively, they can elect to take fully vested, preserved benefits which will be based on their full accrued entitlements at the date of resignation and will be increased during preservation in line with increases in the CPI.

The vested benefits shown below have been determined by Mr G Keen, FIAA and Mr L Brett, FIAA of Brett & Watson Pty Ltd based on the assumption that all resignation benefits will be taken in the form of fully preserved benefits. The value of vested benefits has then been calculated using the same actuarial and economic assumptions as for the calculation of accrued benefits.

Vested Liabilities		
	2016 \$'000 Pension Division	2015 \$'000 Pension Division
Fund Old Scheme Account	485,537	472,026
Police Employer Account	1,715,997	1,668,131
Totals	2,201,534	2,140,157

5. Guaranteed Benefits

The following guaranteed superannuation benefits are payable to contributors of the Scheme and are set out in the Act:

- Age retirement lump sum (age 50 to 55).
- Age retirement pension with commutation lump sum option (age 55 and over).
- Age retirement lump sum (age 55 and over).
- Total and permanent incapacity (under age 60), based on contributors age 60 age retirement pension benefit.
- Death benefit pension payable to a surviving eligible spouse (lawful, de facto or same sex) with commutation lump sum option.
- Death benefit pension payable to an eligible child (under age 16 or aged between 17 and 25).
- Death benefit lump sum payable to deceased contributors' estate if not survived by an eligible spouse or child.

6. Administration and Direct Investment Expenses

Administration expenses incurred by the Board are financed from the Fund Old Scheme Account and the Police Employer Account in the prescribed proportions of 30 and 70 percent respectively, in accordance with section 10(7) of the Act.

Police Superannuation Scheme

Administration expenses incurred by the Scheme for 2015-2016 amounted to \$720,000 (\$616,000 in 2014-2015) of which the Fund's proportion was \$218,000 (\$187,000 in 2014-2015) and the Employer's proportion was \$502,000 (\$429,000 in 2014-2015). Of the \$720,000, \$591,000 (\$532,000 in 2014-2015) was paid to SA Government entities.

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount based on the Scheme's proportionate investment.

7. Remuneration of Board Members

The following are members of the Board who served during 2015-2016, along with the period served.

Board member	Period Served during 2015-2016		
Graeme Barton	01/07/2015	to	30/06/2016
Keryl Howie*	01/07/2015	to	30/06/2016
Ferdi Pit	01/07/2015	to	30/06/2016
Bernadette Zimmermann*	01/07/2015	to	30/06/2016
Thomas Scheffler*	01/07/2015	to	30/06/2016
Deputy member	Period Served during 2015-2016		
Garry Powell*	01/07/2015	to	30/06/2016
Julie Thomas*	01/07/2015	to	30/06/2016
Neil Smith	01/07/2015	to	30/06/2016
Samantha Strange*	01/07/2015	to	30/06/2016
Trevor Milne*	01/07/2015	to	30/06/2016

Board and Deputy members remuneration is set according to State Government guidelines for Statutory Authorities.

* In accordance with the Department of the Premier and Cabinet Circular No. 16, Board and Deputy members who are government employees do not receive remuneration for their board membership. Board and Deputy members who are contributors of the Scheme contribute on the same terms as other contributors.

Total remuneration received or due and receivable by Board and Deputy members of the Board in 2015-2016 was \$9,000 (\$9,000 in 2014-2015). Total remuneration included superannuation of \$600 (\$600 in 2014-2015).

Police Superannuation Scheme

The number of Board and Deputy members whose remuneration was within the following bands is as follows:

Total Remuneration	Number of Board and Deputy Members	
	2016	2015
\$1 - \$10,000	3	4

8. Remuneration of Auditors

Amounts paid or payable to the Auditor-General's Department for auditing the accounts of the Board in 2015-2016 total \$22,000 (\$21,000 in 2014-2015).

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

9. Summary of Investment Holdings

	Fund Old Scheme Account 2016 \$'000	Police Employer Account 2016 \$'000	Total 2016 \$'000	Total 2015 \$'000
INVESTMENTS				
Inflation Linked Securities A	27,803	57,235	85,038	101,630
Property A	69,501	143,075	212,576	204,338
Australian Equities A	116,035	238,871	354,906	339,993
International Equities A	116,703	240,245	356,948	363,595
Fixed Interest	13,353	27,489	40,842	27,844
Diversified Strategies – Growth A	53,093	109,298	162,391	138,085
Diversified Strategies – Income	75,843	156,130	231,973	195,240
Cash	11,458	23,587	35,045	46,820
Total Investments	483,789	995,930	1,479,719	1,417,545

Police Superannuation Scheme

10. Changes in Net Assets

Transactions within each division are summarised below:

	Fund Old Scheme Account 2016 \$'000	Police Employer Account 2016 \$'000	Total 2016 \$'000	Fund Old Scheme Account 2015 \$'000	Police Employer Account 2015 \$'000	Total 2015 \$'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT 1 JULY	478,960	938,680	1,417,640	444,111	832,640	1,276,751
REVENUE						
Investment Revenue	21,092	42,432	63,524	47,354	91,418	138,772
Other Income	5	19	24	7	30	37
CONTRIBUTION REVENUE						
Past Service Liability	-	63,800	63,800	-	59,900	59,900
Employer Contributions	-	26,039	26,039	-	27,335	27,335
Member Contributions	6,152	-	6,152	6,418	-	6,418
Government Co-Contributions	-	2	2	-	2	2
SG Contributions	-	-	-	-	1	1
Total Contribution Revenue	6,152	89,841	95,993	6,418	87,238	93,656
Total Revenue	27,249	132,292	159,541	53,779	178,686	232,465
EXPENSES						
Direct Investment Expense	(3,328)	(6,747)	(10,075)	(3,288)	(6,327)	(9,615)
Administration Expense	(218)	(502)	(720)	(187)	(429)	(616)
BENEFITS PAID						
Pensions	(15,298)	(54,459)	(69,757)	(12,147)	(51,785)	(63,932)
Commutations	(1,924)	(6,820)	(8,744)	(1,848)	(7,878)	(9,726)
Lump Sums	(1,772)	(6,280)	(8,052)	(1,460)	(6,224)	(7,684)
Government Co-Contributions	-	(2)	(2)	-	(2)	(2)
SG Contributions	-	-	-	-	(1)	(1)
Total Benefits Paid	(18,994)	(67,561)	(86,555)	(15,455)	(65,890)	(81,345)
Total Expenses	(22,540)	(74,810)	(97,350)	(18,930)	(72,646)	(91,576)
NET INCREASE IN FUNDS	4,709	57,482	62,191	34,849	106,040	140,889
NET ASSETS AVAILABLE TO PAY BENEFITS AT 30 JUNE	483,669	996,162	1,479,831	478,960	938,680	1,417,640

Police Superannuation Scheme

11. Benefits Paid

All benefit payments were met in the first instance from the Special Deposit Account. The Treasurer, in turn, recouped the value of the employee share of benefits paid from the Fund and the employer share from the Police Employer Account.

	Pension Division 2016 \$'000	Pension Division 2015 \$'000
PENSIONS		
Funded from:		
Fund Old Scheme Account	15,298	12,147
Police Employer Account	54,459	51,785
Gross Scheme Costs	69,757	63,932
COMMUTATION LUMP SUMS		
Funded from:		
Fund Old Scheme Account	1,924	1,848
Police Employer Account	6,820	7,878
Gross Scheme Costs	8,744	9,726
LUMP SUMS		
Funded from:		
Fund Old Scheme Account	1,772	1,460
Police Employer Account	6,280	6,224
Gross Scheme Costs	8,052	7,684
GOVERNMENT CO-CONTRIBUTIONS		
Funded from:		
Police Employer Account	2	2
Gross Scheme Costs	2	2
SG CONTRIBUTIONS		
Funded from:		
Police Employer Account	-	1
Gross Scheme Costs	-	1
TOTAL BENEFITS PAID		
Funded from:		
Fund Old Scheme Account	18,994	15,455
Police Employer Account	67,561	65,890
Gross Scheme Costs	86,555	81,345

12. Financial Instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework. The investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The Police Superannuation Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

a) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

I. Currency Risk

Currency risk is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates.

The Scheme's currency risk is managed by Funds SA who have invested in assets denominated in foreign currencies.

Police Superannuation Scheme

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income), fixed interest and inflation linked securities asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures in the international equities asset sector are 50% hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above.

II. Interest Rate Risk

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

Funds SA manages interest rate risk through:

- Ensuring asset allocations of different investment products are consistent with the time horizon of each.
- The use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

III. Other Market Price Risk

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect Investment Revenue.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

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

IV. Sensitivity Analysis

The Funds SA Board has determined that the forecast risk/return profile provide a reasonably possible change in the value of the investments in each investment option. These standard deviations provide the risk variable to be applied to each option in the year ahead. The following table illustrates the effect on change in investment assets from possible changes in market price risk.

Police Superannuation Scheme

2016

Investment Option	Sensitivity variable	Standard Deviation	Change in Investment assets \$'000
Growth	Nominal standard deviation	10.2%	150,931
Total			150,931

2015

Investment Option	Sensitivity variable	Standard Deviation	
Growth	Nominal standard deviation	10%	141,754
Total			141,754

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Scheme's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment options' expected return in future years.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

b) Credit Risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets included in the Statement of Net Assets represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counter party or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Scheme does not have any assets which are past due or impaired.

c) Liquidity Risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Scheme's liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

30 June 2016	Less than 3 months \$'000	Total Contractual Cash Flows \$'000	Carrying Amount Liabilities \$'000
Benefits payable	1,477	1,477	1,477
Sundry Creditors	141	141	141
Vested benefits ⁽¹⁾	2,201,534	2,201,534	2,201,534
Total	2,203,152	2,203,152	2,203,152

30 June 2015	Less than 3 months \$'000	Total Contractual Cash Flows \$'000	Carrying Amount Liabilities \$'000
Benefits payable	966	966	966
Sundry Creditors	146	146	146
Vested benefits ⁽¹⁾	2,140,157	2,140,157	2,140,157
Total	2,141,269	2,141,269	2,141,269

Police Superannuation Scheme

(i) Vested benefits have been included in the less than 3 months column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

d) Fair Value Estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly 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).

Financial assets at fair value through profit or loss (Level 1 and level 3 are not relevant to the Scheme)

**Level 2
\$'000**

30 June 2016

Unlisted managed investment schemes

Funds SA

1,479,719

1,479,719

30 June 2015

Unlisted managed investment schemes

Funds SA

1,417,545

1,417,545

e) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

Police Superannuation Scheme

Statement by Responsible Officers for 30 June 2016

We certify that the:

- financial statements of the Police Superannuation Board:
 - 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 Police Superannuation Board over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



(G A Barton)
Presiding Member
Police Superannuation Board

7 /09/2016



(M D Hogg)
Manager
Police Super

7 /09/2016

INDEPENDENT AUDITOR'S REPORT



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Auditor-General's Department

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To the Presiding Member Police Superannuation Board

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the accompanying financial report of the Police Superannuation Scheme for the financial year ended 30 June 2016. The financial report comprises:

- a Statement of Net Assets as at 30 June 2016
- a Statement of Changes in Net Assets for the year ended 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Presiding Member and the Manager, Police Super.

Police Superannuation Board's responsibility for the financial report

The Members of the Police Superannuation 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 Police Superannuation 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 Police Superannuation 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 Police Superannuation Scheme'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 Police Superannuation Scheme 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 dark ink, appearing to read 'A. Richardson', with a long, sweeping horizontal line extending to the right.

Andrew Richardson

Auditor-General

16 September 2016

TAFE SA

Financial report
for the year ended
30 June 2016

TAFE SA
Statement of Comprehensive Income
for the year ended 30 June 2016

	Note No	2016 \$'000	2015 \$'000
Expenses			
Employee benefits	5	223,617	220,366
Supplies and services	6	101,878	109,330
Grants and subsidies	7	190	6
Depreciation and amortisation	8	4,423	4,076
Net loss from disposal of non-current assets	16	27	644
Other	9	1,065	1,504
Total expenses		331,200	335,926
Income			
Grants and Subsidies from DSD	11	234,287	232,840
Commonwealth grants	12	2,191	2,315
Student and other fees and charges	13	94,156	90,799
Other grants and contributions	14	3,062	4,626
Investment income	15	3	3
Other	17	1,681	1,640
Total income		335,380	332,223
Net cost of providing service		4,180	(3,703)
Other Comprehensive Income			
<i>Items that will not be reclassified to net result</i>			
Changes in revaluation surplus	20	-	-
Total other comprehensive income		-	-
Total comprehensive result		4,180	(3,703)

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

TAFE SA
Statement of Financial Position
as at 30 June 2016

	Note No	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	18	72,499	13,846
Receivables	19	13,700	96,106
Inventories	23	1,166	1,404
Total current assets		87,365	111,356
Non-current assets			
Receivables	19	75	174
Property, plant and equipment	20	16,866	17,272
Intangibles	21	12,205	12,565
Total non-current assets		29,146	30,011
Total assets		116,511	141,367
Current liabilities			
Payables	24	13,207	37,794
Employee benefits	25	15,463	21,427
Provisions	26	2,096	1,654
Unearned revenue	27	2,825	3,589
Other current liabilities	28	6	6
Total current liabilities		33,597	64,470
Non-current liabilities			
Payables	24	7,241	6,838
Employee benefits	25	47,243	45,337
Provisions	26	4,621	5,093
Total non-current liabilities		59,105	57,268
Total liabilities		92,702	121,738
Net Assets		23,809	19,629
Equity			
Retained earnings	29	2,005	(2,175)
Revaluation surplus	29	1,352	1,352
Contributed capital	29	20,452	20,452
Total equity		23,809	19,629

Total equity is attributable to the SA Government as owner.

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

TAFE SA
Statement of Changes in Equity
for the year ended 30 June 2016

	Note	Revaluation Surplus \$'000	Retained Earnings \$'000	Contributed Capital \$'000	Total \$'000
Balance at 30 June 2014		1,352	3,393	20,452	25,197
Error Correction		-	(145)	-	(145)
Restated balance at 30 June 2014		1,352	3,248	20,452	25,052
Net result for 2014-15	29	-	(3,703)	-	(3,703)
Net assets transferred as a result of administrative restructure	32	-	(1,720)	-	(1,720)
Total comprehensive result for 2014-15		-	(5,423)	-	(5,423)
Balance at 30 June 2015		1,352	(2,175)	20,452	19,629
Restated balance at 30 June 2015		1,352	(2,175)	20,452	19,629
Net result for 2015-16	29	-	4,180	-	4,180
Total comprehensive result for 2015-16		-	4,180	-	4,180
Balance at 30 June 2016		1,352	2,005	20,452	23,809

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

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

TAFE SA
Statement of Cash Flows
for the year ended 30 June 2016

		2016	2015
		Inflows	Inflows
	Note	(Outflows)	(Outflows)
	No	\$'000	\$'000
Cash flows from operating activities			
Cash outflows			
Employee benefit payments		(225,247)	(217,690)
Payments for supplies and services		(124,920)	(121,604)
Payments of grants and subsidies		(190)	(6)
Payments for paid parental leave scheme		(12)	(1)
Other payments		(478)	(446)
Cash used in operations		(350,847)	(339,747)
Cash inflows			
Commonwealth grants		2,191	2,315
Grants and Subsidies from DSD		291,463	196,138
Student and other fees and charges		111,682	88,360
Other grants and contributions		2,766	3,804
Interest received		3	3
GST recovered from the ATO		3,472	6,255
Other receipts		1,074	595
Cash generated from operations		412,651	297,470
Net cash provided by (used in) operating activities	35	61,804	(42,277)
Cash flows from investing activities			
Cash Outflows			
Purchase of property, plant and equipment		(1,717)	(816)
Purchase of intangibles		(1,464)	(2,273)
Cash used in investing activities		(3,181)	(3,089)
Cash Inflows			
Proceeds from sale of property, plant and equipment		30	97
Cash generated from investing activities		30	97
Net cash used in investing activities		(3,151)	(2,992)
Net increase/(decrease) in cash and cash equivalents		58,653	(45,269)
Cash and cash equivalents at 1 July		13,846	59,115
Cash and cash equivalents at 30 June	18	72,499	13,846

TAFE SA
Disaggregated Disclosures

Expense and Income for the year ended 30 June 2016

	Employment and Skills Formation		
	Vocational Education and Training	International and Higher Education	Total
	\$'000	\$'000	2016 \$'000
Expenses			
Employee benefits	221,990	1,627	223,617
Supplies and services	100,909	969	101,878
Grants and subsidies	115	75	190
Depreciation and amortisation	4,423	-	4,423
Net loss from disposal of non-current assets	27	-	27
Other	1,065	-	1,065
Total expenses	328,529	2,671	331,200
Revenues			
Grants and Subsidies from DSD	234,287	-	234,287
Commonwealth grants	2,191	-	2,191
Student and other fees and charges	93,492	664	94,156
Other grants and contributions	3,062	-	3,062
Investment income	3	-	3
Other	(23)	1,704	1,681
Total Income	333,012	2,368	335,380
Net cost of providing service	4,483	(303)	4,180

Expense and Income for the year ended 30 June 2015

	Employment and Skills Formation		
	Vocational Education and Training	International and Higher Education	Total
	\$'000	\$'000	2015 \$'000
Expenses			
Employee benefits	218,970	1,396	220,366
Supplies and services	108,450	880	109,330
Grants and subsidies	6	-	6
Depreciation and amortisation	4,076	-	4,076
Net loss from disposal of non-current assets	644	-	644
Other	1,504	-	1,504
Total expenses	333,650	2,276	335,926
Revenues			
Grants and Subsidies from DSD	232,840	-	232,840
Commonwealth grants	2,315	-	2,315
Student and other fees and charges	90,289	510	90,799
Other grants and contributions	4,626	-	4,626
Investment income	3	-	3
Other	(260)	1,900	1,640
Total Income	329,813	2,410	332,223
Net cost of providing service	(3,837)	134	(3,703)

All assets and liabilities are considered to relate to VET / or cannot be reliably separated.

TAFE SA

Notes to and forming part of the financial statements

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TAFE SA

Notes to and forming part of the financial statements

1 Corporation objectives and funding

(a) Objectives

TAFE SA was established as a Public Corporation on 1 November 2012 by the *TAFE SA Act 2012*. TAFE SA is responsible to the Minister for Higher Education and Skills.

The primary objectives of TAFE SA are to:

- Provide technical and further education in a manner that is efficient, effective and responsive to the needs of industry, students and the general community;
- Undertake or facilitate research that relates to technical and further education;
- Provide consultancy or other services, for a fee or otherwise, in any area in which staff of TAFE SA have particular expertise developed (whether wholly or partly) in the course of, or incidentally to, the provision of technical and further education;
- Undertake or provide for the development or use, for commercial, community or other purposes, of any intellectual property, product or process created or developed (whether wholly or partly) in the course of, or incidentally to, the provision of technical and further education;
- Perform any other function assigned to it by the Minister.

The *Public Corporations Act 1993* applies to TAFE SA and requires a Charter and Performance Statement to be prepared for TAFE SA by the Minister and Treasurer after consultation with TAFE SA.

(b) Funding

The Corporation is predominantly funded by the Department of State Development (DSD) through the *Skills for All / WorkReady* Program.

In addition income is generated from sales and fee for service. These include:

- Student fees and charges;
- Training for various organisations;
- Sale of curriculum material;
- Hire of facilities and equipment.

The financial activities of the Corporation are primarily conducted through a Special Deposit Account with the Department of Treasury and Finance pursuant to Section 8 of the *Public Finance and Audit Act 1987*. The Special Deposit Account is used for funds provided by *Skills for All / WorkReady* from DSD, Commonwealth grants and revenues from fees and charges.

(c) Principles of consolidation

Entities in which TAFE SA have a significant influence

South Australian Tertiary Admissions Centre (SATAC)

The South Australian Tertiary Admissions Centre (SATAC) is an arrangement between the three South Australian universities, the Minister for Higher Education and Skills, and Charles Darwin University in the Northern Territory. SATAC receives and processes undergraduate and postgraduate applications for admission to TAFE SA, Charles Darwin University and the three universities in South Australia.

TAFE SA has a 20% interest in SATAC. The interests in this associate are not considered material to the Corporation's core activities. Consequently as per AASB 128, they have not been taken up in the accounts on an equity basis.

TAFE SA

Notes to and forming part of the financial statements

Other Related Entities

Onshore Petroleum Centre of Excellence

Under a Deed of Arrangement TAFE SA has established the Onshore Petroleum Centre of Excellence (OPCE) with the Minister for Mineral Resources and Energy, SANTOS Limited, Beach Energy Limited and SENEX Energy Limited in May 2014.

Each of the parties to the arrangement provide cash and/or in-kind capital contributions to the OPCE. These contributions assist the OPCE in developing courses and delivering training that will increase the skills of people who are, or wish to be employed in the petroleum industry.

As the administering party, TAFE SA holds the funds in a separate interest bearing account on behalf of the Parties and must ensure that no deduction or expenditure is made from that account unless it is in accordance with a decision of the OPCE Board and terms of the Deed.

Decisions made by the Board must be a unanimous decision of all voting Members and cannot be inconsistent with the terms and conditions of this Deed. Note that the representative member from TAFE SA has an advisory role and is not entitled to vote.

As TAFE SA does not have control of these funds they are excluded from TAFE SA's financial statements, however, details of the funds held by TAFE SA for the OPCE are presented in Note 38.

2 Significant accounting policies

(a) Statement of compliance

TAFE SA as a Corporation has prepared these financial statements in compliance with Section 23 of the *Public Finance and Audit Act 1987* (PFAA).

The financial statements are general purpose financial statements. The accounts for these statements have been prepared in accordance with relevant Australian Accounting Standards (AAS) and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the PFAA.

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

Except for AASB 2015-7 which the Corporation 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 Corporation 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 Corporation's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable Notes;
- Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported;
- Compliance with 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 these financial reports:

TAFE SA

Notes to and forming part of the financial statements

- a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, 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 the entity to those employees;
- e) Board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

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

The financial statements have been prepared based on the period 1 July 2015 to 30 June 2016 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 Corporation is a Statutory Corporation of the State of South Australia, established pursuant to the *TAFE SA Act 2012*.

The financial statements and accompanying notes reflect the use of assets, liabilities, revenues and expenses controlled or incurred by the Corporation in its own right.

(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) Income and expenses

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.

TAFE SA

Notes to and forming part of the financial statements

Income

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

The following are specific recognition criteria:

- Income from fees and charges is derived from the provision of goods and services to other SA government agencies and to other clients and is recognised upon delivery of the service to the clients or by reference to the stage of completion.
- Income from disposal of non-current assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount.
- Interest income is recognised upon receipt.
- Contribution income is recognised when control of the contribution or the right to receive the contribution and the income recognition criteria are met.
- Resources received free of charge are recorded as revenue in the Statement of Comprehensive Income at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

Expenses

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

The following are specific recognition criteria:

Employee benefits expense

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

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

(g) 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 twelve months and more than twelve months, the Corporation has separately disclosed the amounts expected to be recovered or settled after more than twelve months.

(h) 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 (refer to Note 33).

TAFE SA

Notes to and forming part of the financial statements

(i) 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 include cash at bank and cash on hand.

Cash is measured at nominal value.

(j) Receivables

Receivables include amounts receivable from trade, 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 receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

(k) Inventories

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

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

Cost is assigned to low volume inventory items on a specific identification of cost basis.

Inventories comprise of learning modules, food and wine, wine making stock, books, stationery, hair and beauty products and building supplies.

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

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

(l) Property, plant and equipment

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation. Where assets are acquired for no consideration, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements then the assets are recognised at book value, i.e. the amount recorded by the transferor public authority immediately prior to the restructure.

Revaluation of non-current assets

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

Every three years, the Corporation revalues its library collection. 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

TAFE SA

Notes to and forming part of the financial statements

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 in the Statement of Comprehensive Income.

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

The valuation methodology applied to specific classes of non-current assets under revaluations is as follows:

- Library collection

The library collection is recorded at replacement value. The most recent valuation was carried out as at 30 June 2014 by AON Risk Solutions, an independent valuer, on the basis of depreciated replacement cost (a proxy for fair value).

- Plant and equipment

Items of plant and equipment are recorded at fair value less accumulated depreciation.

All Plant and Equipment assets with a value of \$10,000 or greater are capitalised.

Items under \$10,000 are recorded in the Statement of Comprehensive Income as an expense in the accounting period in which they are acquired.

- Leasehold Improvements

Following initial recognition, leasehold improvements are carried at cost less any accumulated amortisation and any accumulated impairment losses.

All leasehold Improvement assets with a value of \$10,000 or greater are capitalised.

Items under \$10,000 are recorded in the Statement of Comprehensive Income as an expense in the accounting period in which they are acquired.

- Intangibles

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10,000.

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

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 Corporation 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.

TAFE SA

Notes to and forming part of the financial statements

- 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 and Risk Committee at each reporting date.

Non-financial assets

In determining fair value, the Corporation 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 Corporation'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 Corporation 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 \$1million or an estimated useful life that was less than three years are deemed to approximate fair value.

Refer to Notes 20 and 22 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

(m) Impairment

All non-current assets are tested for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. 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.

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

(n) 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 library collections and 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.

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	Depreciation/Amortisation Method	Useful Life (Years)
Plant and Equipment	Straight Line	1–45
Library Collection	Straight Line	3–15
Leasehold Improvements	Straight Line	10
Intangibles	Straight Line	10

TAFE SA

Notes to and forming part of the financial statements

(o) Payables

Payables include creditors, accrued expenses 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 Corporation.

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

The Paid Parental Leave Scheme payable represents amounts which the Corporation has received from the Commonwealth Government to forward onto eligible employees via the Corporation's standard payroll processes. That is, the Corporation 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 superannuation contributions, workers compensation and payroll tax with respect of outstanding liabilities for salaries and wages, long service leave and annual leave, non-attendance days, and skills and experience retention leave.

The Corporation 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 externally managed schemes.

(p) Employee benefits and employment related liabilities

Liabilities have been established for various employee benefits arising from services rendered by employees to balance date. Employee benefits include entitlements to wages and salaries, long service leave, annual leave and non-attendance days. Long-term benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Employment related expenses include on-costs such as employer superannuation and payroll tax on employee entitlements together with the workers' compensation insurance premium. These are reported under Payables as on-costs on employee benefits (refer Note 24).

Salaries, wages, annual leave, skills and experience retention leave (SERL), non-attendance days 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 liability is expected to be payable within twelve 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 twelve months, the liability will be measured at present value.

Non-attendance days are accrued annually for employees engaged under the TAFE SA Act 2012 but are non-cumulative.

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.

TAFE SA

Notes to and forming part of the 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 the education 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.

(q) Provisions

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

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

A liability has been reported to reflect unsettled workers compensation claims. 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 within the Department of the Premier and Cabinet. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

(r) Leases

The Corporation has entered into a number of operating lease agreements, as lessee, for buildings and other facilities where the lessor effectively retains all risks and benefits incidental to ownership of the items held under the operating leases.

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

Details of commitments of current non-cancellable operating leases are disclosed at Note 30.

(s) Taxation

The Corporation is not subject to income tax. The Corporation 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 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.

TAFE SA

Notes to and forming part of the financial statements

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.

(t) Unrecognised contractual commitments and contingent assets and liabilities

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

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

3 New and revised accounting standards and policies

The Accounting Policy Framework II General Purpose Financial Statements Framework has been revised to allow for reduced disclosure requirements for some entities, in line with the Australian Accounting Standard AASB 1053 *Application of Tiers of Australian Accounting Standards*. As per the requirements of the Framework, the Corporation has determined that it is not eligible to apply for Tier 2 reporting, therefore, the 2015-16 financial statements have been prepared in the same format as prior years.

AASB 16 *Leases* will apply for the first time to the 30 June 2020 financial report. This standard will require TAFE SA 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 Activities of the Corporation

Activities – Employment and Skills Formation

To strengthen the economic prosperity and social well-being of South Australians through strategic employment, skills formation and workforce development.

Sub-activities – Vocational Education and Training

- TAFE SA provides secondary & post-secondary vocational education and training (VET) including:
 - The investment of public funds to support individuals and employers to develop workforce skills;
 - Funding apprenticeships and traineeships;
 - Supporting post-secondary training and education; and
 - Providing state and national policy advice.

TAFE SA

Notes to and forming part of the financial statements

Sub-activities – International and Higher Education

- TAFE SA:
 - Supports the development of Adelaide as a centre for education, international education and South Australian education exports including providing marketing services, analysis and student and community support;
 - Provides high level strategic policy advice to the Minister on higher education policy and planning; and

As a public provider, TAFE SA will operate effectively and efficiently in a competitive market for vocational education and training to:

- Deliver technical and further education efficiently and cost effectively at high standards of quality, while at all times ensuring the financial viability of TAFE SA;
- Build alliances and cooperation with other service providers to ensure quality and relevant course availability and delivery in the most efficient manner;
- Strengthen TAFE SA's position in technical and further education through the provision of fee for service activities, including quality training for overseas students and targeted international activity; and
- Ensure a safe work and learning environment for staff, students and the community.

5 Employee benefits

	2016	2015
	\$'000	\$'000
Salaries and wages (including annual leave)	179,460	178,482
Superannuation	18,079	18,505
Payroll tax	10,242	10,095
Long service leave	6,896	7,806
Skills and experience retention leave	904	893
Board and committee fees	508	456
Workers' compensation	2,699	232
Targeted voluntary separation payments	4,401	3,332
Other employee related costs	428	565
	223,617	220,366

Salaries and wages on termination are included in salaries and wages.

Targeted Voluntary Separation Packages (TVSPs)

	2016	2015
	\$'000	\$'000
Amounts paid to these employees:		
TVSPs	4,401	3,332
Leave paid to those employees	2,040	848
	6,441	4,180
Funding from the Department of Treasury and Finance (through Department of State Development)	3,411	3,445
Net cost to TAFE SA	3,030	735

The number of employees who were paid TVSPs during the reporting period	70	31
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TAFE SA

Notes to and forming part of the financial statements

Remuneration of employees

The number of employees whose remuneration received or receivable is \$145,000 or more falls within the following bands

	2016 Number of Employees (including TVSP)	2015 Number of Employees (including TVSP)
	No	No
\$145,001 to \$155,000	8	4
\$155,001 to \$165,000	2	1
\$165,001 to \$175,000	2	3
\$175,001 to \$185,000	3	2
\$185,001 to \$195,000	2	1
\$195,001 to \$205,000	1	1
\$205,001 to \$215,000	1	1
\$215,001 to \$225,000 Δ	2	1
\$225,001 to \$235,000	1	-
\$235,001 to \$245,000	2	-
\$245,001 to \$255,000	-	1
\$255,001 to \$265,000 Δ	1	1
\$265,001 to \$275,000 Δ	2	-
\$285,001 to \$295,000	-	1
\$295,001 to \$305,000	2	1
\$345,001 to \$355,000	1	-
\$425,001 to \$435,000	1	-
\$465,001 to \$475,000 O	-	1
\$485,001 to \$495,000 O	-	1
Total number of employees	31	20

Δ This bandwidth includes employees that have received TVSP payments in 2015-16.

O This bandwidth includes employees that have received non TVSP termination payments during 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 (including termination payments), superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$6.5 million (\$4.5 million).

The increase in the total number of employees from 20 in 2014-15 to 31 in 2015-16 is due to 4 non-executive employees (nil in 2014-15) who took Targeted Voluntary Separation Packages (TVSP's) during the year and 8 non-executive employees who were just below the first bandwidth in 2015 but moved into the first bandwidth in 2016.

The total remuneration received by non-executive employees in 2015-16 was \$2.7 million (\$0.6 million).

TAFE SA
Notes to and forming part of the financial statements

6 Supplies and services

	2016	2015
	\$'000	\$'000
Corporate services recharges paid to DSD	136	2,341
Infrastructure recharges paid to DSD	20,727	23,753
Funding to external vocational education and training providers	370	139
Printing and consumables	7,635	7,089
Minor works, maintenance and equipment	11,838	12,991
Information technology infrastructure and communication	11,828	9,740
Fees - contracted services (including consultants)	15,425	18,564
Utilities	7,624	8,358
Cleaning	7,786	7,870
Vehicle and travelling expenses	4,368	4,320
Rentals and leases	1,610	1,823
Books, materials and copyright	12,221	12,062
Other	310	280
Total supplies and services	101,878	109,330

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

Consultancy

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

	No.	2016 \$'000	No.	2015 \$'000
Below \$10,000	5	18	2	9
Above \$10,000	3	397	4	256
Total paid/payable to the consultants engaged (GST exclusive)	8	415	6	265

7 Grants and subsidies

	2016	2015
	\$'000	\$'000
Employment Programs	-	6
VET Programs	115	-
Other Programs	75	-
Total grants and subsidies	190	6

TAFE SA
Notes to and forming part of the financial statements

8 Depreciation and amortisation

	2016 \$'000	2015 \$'000
Depreciation		
Plant and equipment	1,630	1,579
Library collection	876	877
Leasehold Improvements	76	1
Total depreciation	2,582	2,457
Amortisation		
Intangibles	1,841	1,619
Total amortisation	1,841	1,619
Total depreciation and amortisation	4,423	4,076

9 Other expenses

	2016 \$'000	2015 \$'000
Audit fees (refer note 10)	449	454
Allowance for doubtful debts and debt write-offs (refer note 19)	607	1,045
Other	9	5
Total other expenses	1,065	1,504

10 Auditor's remuneration

	2016 \$'000	2015 \$'000
Audit fees paid/payable to the Auditor-General's department relating to the audit of financial statements	287	289
Other audit fees	162	165
Total auditor's remuneration paid/payable	449	454

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

11 Grants and Subsidies from DSD

	2016 \$'000	2015 \$'000
VET Subsidies	144,473	160,869
Community Services	18,083	16,660
VET Capital	6,315	5,407
TVSP Reimbursement	3,411	3,445
Other Funding	62,005	46,459
Total Grants and Subsidies from DSD	234,287	232,840

TAFE SA
Notes to and forming part of the financial statements

12 Commonwealth grants

	2016	2015
	\$'000	\$'000
Aged Care Workforce	1,034	1,123
Aboriginal Projects	709	458
Community Development Employment Projects (CDEP) program	-	194
Other specific Commonwealth revenue	448	540
Total Commonwealth grants	2,191	2,315

2015-16 Commitments

\$1.0 million was received for the Aged Care Workforce Program in 2015-16 (2015: \$1.1 million), with all commitments being met.

Aboriginal projects including the Aboriginal Torres Strait Islander Rural and Remote Aged Care Training Project contributed \$0.7 million in grants revenue during 2015-16 (2014-15: \$0.5 million).

\$0.4 million in Other Specific Commonwealth Grants were received in 2015-16 (2015: \$0.5 million).

13 Student and other fees and charges

	2016	2015
	\$'000	\$'000
Sales/fee for service revenue	48,854	53,458
Student enrolment fees and charges	40,260	33,650
Other user fees and charges	5,042	3,691
Total student and other fees and charges received/receivable	94,156	90,799

14 Other grants and contributions

	2016	2015
	\$'000	\$'000
Grants and subsidies revenue	2,118	1,824
Grants from other entities within the SA Government	286	251
Contributed assets	585	2,463
Miscellaneous contributions	58	87
Donations	15	1
Total other grants and contributions	3,062	4,626

15 Investment income

	2016	2015
	\$'000	\$'000
Interest	3	3
Total investment income	3	3

TAFE SA
Notes to and forming part of the financial statements

16 Net (gain)/loss from the disposal of non-current assets

	2016	2015
	\$'000	\$'000
Plant and equipment		
Proceeds from disposals	(30)	(97)
Less: net book value of assets disposed	57	741
Total net loss from the disposal of non-current assets	27	644

17 Other income

	2016	2015
	\$'000	\$'000
Recoup of salaries	138	120
Sundry income	1,543	1,520
Total other income	1,681	1,640

18 Cash and cash equivalents

	2016	2015
	\$'000	\$'000
Special deposit account with the Department of Treasury and Finance	72,483	13,805
Cash on hand	16	41
Total cash and cash equivalents	72,499	13,846

Special Deposit Account with the Department of Treasury and Finance

Includes funds received from DSD for *Skills for All / WorkReady* and other program funding.

Interest rate risk

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

TAFE SA
Notes to and forming part of the financial statements

19 Receivables

	2016 \$'000	2015 \$'000
Current		
<i>Skills for All / WorkReady</i> receivable from DSD	-	48,441
Student and other fees and charges receivable	11,967	47,950
Less: allowance for doubtful debts	(1,874)	(2,279)
Prepayments	706	1,613
GST recoverable from ATO	2,814	274
Other receivables	87	107
Total current receivables	13,700	96,106
Non-current		
Workers compensation receivable	75	174
Total non-current receivables	75	174
Total receivables	13,775	96,280

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 \$'000	2015 \$'000
Carrying amount at the beginning of the period	2,279	2,334
Increase/(decrease) in the allowance	594	1,051
Amounts written off	(999)	(1,106)
Carrying amount at the end of the period	1,874	2,279

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables and accrued revenues are non-interest bearing.

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

(a) **Categorisation and maturity analysis of financial instruments - Refer Note 37**

(b) **Risk exposure information - Refer Note 37**

TAFE SA
Notes to and forming part of the financial statements

20 Property, plant and equipment

	2016 \$'000	2015 \$'000
Plant and equipment		
Plant and equipment at cost (deemed fair value)	29,060	27,726
Accumulated depreciation	(15,720)	(14,585)
	13,340	13,141
Library collection		
Library collection at valuation	16,017	15,722
Accumulated depreciation	(13,744)	(12,868)
	2,273	2,854
Leasehold improvements		
Leasehold improvements at cost (deemed fair value)	1,161	149
Accumulated amortisation	(77)	(1)
	1,084	148
Work in Progress		
Capital work in progress	169	1,129
	169	1,129
 Total property, plant and equipment	 46,407	 44,726
Total accumulated depreciation at the end of the period	(29,541)	(27,454)
Total property, plant and equipment	16,866	17,272

Valuation of property

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 APFIII. 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 adjustment to their value, except for management assumptions about the asset's condition and remaining useful life.

The library collection was valued at depreciated replacement cost (a proxy for fair value) as at 30 June 2014 by AON Risk Solutions.

Leasehold improvements are valued at cost.

Impairment

There were no indications of impairment of property and plant and equipment assets at 30 June 2016.

TAFE SA

Notes to and forming part of the financial statements

Reconciliation of property, plant and equipment assets

The following table shows the movement of property, plant and equipment assets during 2015-16:

	Plant and equipment \$'000	Library collection \$'000	Leasehold improvements \$'000	Work in progress \$'000	Total \$'000
2016					
Carrying amount at the beginning of the period	13,141	2,854	148	1,129	17,272
Additions	172	295	-	1,180	1,647
Disposals	(57)	-	-	-	(57)
Contributed assets	586	-	-	-	586
Capitalisation	1,128	-	1,012	(2,140)	-
Depreciation	(1,630)	(876)	(76)	-	(2,582)
Carrying amount at the end of period	13,340	2,273	1,084	169	16,866

The following table shows the movement of property, plant and equipment assets during 2014-15:

	Plant and equipment \$'000	Library collection \$'000	Leasehold improvements \$'000	Work in progress \$'000	Total \$'000
2015					
Carrying amount at the beginning of the period	13,801	3,390	-	-	17,191
Additions	325	341	-	150	816
Disposals	(741)	-	-	-	(741)
Contributed assets	1,335	-	-	1,128	2,463
Capitalisation	-	-	149	(149)	-
Depreciation	(1,579)	(877)	(1)	-	(2,457)
Carrying amount at the end of period	13,141	2,854	148	1,129	17,272

21 Intangible assets

	2016 \$'000	2015 \$'000
Computer software		
Internally developed computer software	5,970	5,088
Accumulated amortisation	(1,025)	(507)
Other Computer software	13,233	13,233
Accumulated amortisation	(6,715)	(5,392)
Intangible work in progress	742	143
Total intangibles	12,205	12,565

The computer software predominantly relates to TAFE SA's Student Information System (SIS).

TAFE SA has no contractual commitments for the acquisition of intangibles assets.

Impairment

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

TAFE SA

Notes to and forming part of the financial statements

Reconciliation of intangible assets

The following table shows the movement of intangible assets during 2015-16:

2016	Intangibles \$'000	Intangibles work in progress \$'000	Total \$'000
Carrying amount at the beginning of the period	12,422	143	12,565
Additions	882	599	1,481
Amortisation	(1,841)	-	(1,841)
Carrying amount at end of period	11,463	742	12,205

The following table shows the movement of intangible assets during 2014-15:

2015	Intangibles \$'000	Intangibles work in progress \$'000	Total \$'000
Carrying amount at the beginning of the period	11,911	-	11,911
Additions	2,130	143	2,273
Amortisation	(1,619)	-	(1,619)
Carrying amount at end of period	12,422	143	12,565

22 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 Corporation 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 Financial Position are categorised into the following levels at 30 June 2016.

The Corporation had no valuations categorised into level 1 and level 2.

Fair value Measurements at 30 June 2016

	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements			
Plant & Equipment (note 20)	-	13,340	13,340
Library Collection (note 20)	-	2,273	2,273
Leasehold Improvements (note 20)	-	1,084	1,084
Total recurring fair value measurements	-	16,697	16,697
Total	-	16,697	16,697

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2015-16. The Corporation's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

TAFE SA

Notes to and forming part of the financial statements

Fair value Measurements at 30 June 2015

	Level 2	Level 3	Total
	\$'000	\$'000	\$'000
Recurring fair value measurements			
Plant & Equipment (note 20)	-	13,141	13,141
Library Collection (note 20)	-	2,854	2,854
Leasehold Improvements (note 20)	-	148	148
Total recurring fair value measurements	-	16,143	16,143
Total	-	16,143	16,143

Reconciliation of fair value measurements – Level 3

The reconciliation of movements for the level 3 assets is provided in note 20.

23 Inventories

	2016	2015
	\$'000	\$'000
Current		
Inventories held for sale	122	147
Inventories held for distribution	1,044	1,257
Total inventories	1,166	1,404

24 Payables

	2016	2015
	\$'000	\$'000
Current		
Creditors	3,306	8,347
Accrued expenses	4,648	26,022
Employment on-costs	5,236	3,376
Paid parental leave scheme	2	14
Other	15	35
Total current payables	13,207	37,794
Non-current		
Creditors	1,766	1,492
Employment on-costs	5,475	5,346
Total non-current payables	7,241	6,838
Total payables	20,448	44,632

An actuarial assessment performed by the Department of Treasury and Finance determines that the percentage of the proportion of long service leave taken as leave is 62% (63%). The average factor used in the calculation of employer superannuation on-cost is 10.2% (10.3%). These rates are used in the employment oncost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of \$50,470.

Interest rate and credit risk

TAFE SA

Notes to and forming part of the financial statements

Creditors are raised for all amounts billed but unpaid and accruals are raised where goods and services are received but an invoice has not yet been received. Sundry Creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

(a) Categorisation and maturity analysis of financial instruments - Refer Note 37.

(b) Risk exposure information - Refer Note 37.

25 Employee benefits

	2016 \$'000	2015 \$'000
Current		
Annual leave	6,699	6,462
Long service leave	2,566	2,685
Skills and experience retention leave	1,515	1,484
Accrued salaries and wages	413	6,451
Non-attendance days	4,270	4,345
Total current employee benefits	15,463	21,427
Non-current employee benefits		
Long service leave	47,243	45,337
Total non-current employee benefits	47,243	45,337
Total employee benefits	62,706	66,764

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 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 (2.75%) to 2016 (1.75%).

This decrease in the bond yield, which is used 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 \$3.578 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, non-attendance days, and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate for long service leave liability.

Long service leave entitlements for Hourly Paid instructors (HPIs) have been excluded from these statements due to the complexities and impracticability of retrieving accurate information in a timely manner from the TAFE SA Empower payroll system. Long service leave entitlement data for HPIs is only updated in Empower once actual leave requests have been manually verified against Human Resource records on a case by case basis.

TAFE SA
Notes to and forming part of the financial statements

26 Provisions

	2016	2015
	\$'000	\$'000
Current		
Workers compensation	2,096	1,654
Total current provisions	2,096	1,654
Non-current		
Workers compensation	4,621	5,093
Total non-current provisions	4,621	5,093
Total provisions	6,717	6,747
Carrying amount as at 1 July	6,747	8,747
Increase/decrease in provisions recognised	(30)	(2,000)
Carrying amount at 30 June	6,717	6,747

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 of the Public Sector within the Department of the Premier and Cabinet.

27 Unearned revenue

	2016	2015
	\$'000	\$'000
Unearned revenue SA Govt entities	251	-
Unearned revenue Non-SA Govt entities	2,574	3,589
Total unearned revenue	2,825	3,589

28 Other liabilities

	2016	2015
	\$'000	\$'000
Current		
Other liabilities	6	6
Total other liabilities	6	6

29 Equity

	2016	2015
	\$'000	\$'000
Retained earnings	2,005	(2,175)
Revaluation surplus	1,352	1,352
Contributed capital	20,452	20,452
Total equity	23,809	19,629

TAFE SA

Notes to and forming part of the financial statements

30 Unrecognised contractual commitments

Other commitments

	2016	2015
	\$'000	\$'000
Within one year	8,307	5,551
Later than one year and not later than five years	14,403	1,696
Total Other Commitments	22,710	7,247

TAFE SA's other commitments relate to agreements for Productivity Places Programs contracts, cleaning contracts, and other procurement commitments.

Operating leases 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	25,991	25,903
Later than one year and not later than five years	26,517	72,259
Total Operating Lease Commitments	52,508	98,162

TAFE SA's operating leases are for office accommodation, campuses, equipment and motor vehicles. Office accommodation is leased from the Department for Planning, Transport and Infrastructure, but paid through an infrastructure recharge with DSD under a Memorandum of Administrative Arrangement (MAA). The leases are non-cancellable with some leases having the right of renewal. TAFE SA campuses are leased from DSD under the MAA. Rent is payable in arrears. Motor Vehicles are leased from SAFA through their agent LeasePlan Australia.

31 Contingent assets and liabilities

TAFE SA is not aware of any contingent assets or liabilities in existence at 30 June 2016.

32 Transferred functions

2016 Transferred In

There were no transferred functions into or out of TAFE SA during 2015/16 Financial year.

2015 Transferred In

In September 2014, the Chief Executives of DSD and TAFE SA authorised the transfer of approximately 80 staff from DSD to TAFE SA pursuant to Section 9 of the *Public Sector Act 2009*. These transfers were in accordance with a decision taken by the TAFE SA Board to establish autonomous information technology services within TAFE SA. The transfer became effective from 8 September 2014.

On transfer, TAFE SA recognised the following net assets and liabilities:

	\$'000
Payables	170
Employee benefits liability	1,550
Total Liabilities	1,720
Total net assets transferred	(1,720)

TAFE SA

Notes to and forming part of the financial statements

33 After balance dates events

TAFE SA is not aware of any events occurring after the reporting period that would have a significant impact on the Corporation's operations, or materially affect the numbers as presented.

34 Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2015-16 financial year were:

TAFE SA Board

P Vaughan (Chair)
J Branson AM
N Buddle
R Chapman (resigned May 2016)
J Denley
A Hurley
S Mitchell
M Silva
V Simmons AO

Audit and Risk Committee

J Branson AM (Chair)
N Buddle
A Hurley
M Silva

Finance Committee

N Buddle (Chair)
J Branson AM
M Silva
V Simmons AO

Human Resources Committee

J Denley (Chair)
R Chapman (resigned May 2016)
A Hurley
S Mitchell
P Vaughan

Strategy Committee

P Vaughan (Chair)
R Chapman (resigned May 2016)
J Denley
S Mitchell
V Simmons AO

[^] Indicates a member who is entitled to receive remuneration but did not receive remuneration during the period 1 July 2015 to 30 June 2016.

TAFE SA
Notes to and forming part of the financial statements

The number of members whose remuneration from the entity falls within the following bands is:

	2016 No. of members	2015 No. of members
\$1 - \$9,999	-	7
\$10,000 - \$19,999	-	1
\$20,000 - \$29,999	-	1
\$40,000 - \$49,999	1	-
\$50,000 - \$59,999	5	6
\$60,000 - \$69,999	2	-
\$100,000 - \$109,999	1	1
	9	16

Remuneration of board 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 \$0.6 million (\$0.5 million).

Amounts paid to a superannuation plan for board/committee members was \$48,753 (\$42,769).

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.

35 Reconciliation of cash and cash Equivalents – cash at year end as per:

	2016 \$'000	2015 \$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	72,499	13,846
Balance as per the Statement of Cash Flows	72,499	13,846

Reconciliation of net cash provided by (used in) operating activities to net revenue (cost) of providing services

Net cash provided by (used in) operating activities	61,804	(42,277)
Depreciation and amortisation	(4,423)	(4,076)
Gain/loss on sale of assets	(27)	(644)
Donated assets	586	2,463
(Increase) / Decrease in employee benefits	4,058	(6,309)
Increase / (Decrease) in receivables	(82,505)	55,026
Increase / (Decrease) in inventories	(238)	662
Transfer in for administrative restructure	-	1,720
(Increase) / Decrease in payables	24,131	(11,323)
(Increase) / Decrease in unearned revenue	764	(945)
(Increase) / Decrease in provisions	30	2,000
Net revenue (cost) of providing services	4,180	(3,703)

TAFE SA
Notes to and forming part of the financial statements

36 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						
5	Employee benefits	10,469	10,095	213,148	210,271	223,617	220,366
6	Supplies and services						
	Corporate Services recharges to DSD	136	2,341	-	-	136	2,341
	Infrastructure recharges to DSD	20,727	23,753	-	-	20,727	23,753
	Funding to external vocational education and training providers	-	-	370	139	370	139
	Printing and consumables	-	-	7,635	7,089	7,635	7,089
	Minor works, maintenance and equipment	9,163	10,229	2,675	2,762	11,838	12,991
	Information technology infrastructure and communication	3,207	2,401	8,621	7,339	11,828	9,740
	Fees - contracted services	4,883	10,983	10,542	7,581	15,425	18,564
	Trainee & apprenticeship reimbursements	-	-	-	-	-	-
	Utilities	1,430	1,345	6,194	7,013	7,624	8,358
	Cleaning	1,308	6,441	6,478	1,429	7,786	7,870
	Vehicle and travelling expenses	1,791	1,712	2,577	2,608	4,368	4,320
	Rentals and leases	-	11	1,610	1,812	1,610	1,823
	Books, materials and copyright	-	-	12,221	12,062	12,221	12,062
	Other	-	288	310	(8)	310	280
7	Grants	75	10	115	(4)	190	6
8	Depreciation and amortisation expense	-	-	4,423	4,076	4,423	4,076
16	Net loss from disposal of non-current assets	-	-	27	644	27	644
9	Other expenses						
	Audit fees (refer note 10)	287	289	162	165	449	454
	Allowance for doubtful debts and debt write-offs	-	-	607	1,045	607	1,045
	Other	-	-	9	5	9	5
	TOTAL EXPENSES	53,476	69,898	277,724	266,028	331,200	335,926

TAFE SA
Notes to and forming part of the financial statements

Note		SA Government		Non-SA Government		Total	
		2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	INCOME						
11	Grants and Subsidies from DSD	234,287	232,840	-	-	234,287	232,840
12	Commonwealth grants	-	-	2,191	2,315	2,191	2,315
13	Student and other fees and charges						
	Sales/fee for service revenue	1,179	2,223	47,675	51,235	48,854	53,458
	Student enrolment fees and charges	858	2,060	39,402	31,590	40,260	33,650
	Other user fees and charges	154	489	4,888	3,202	5,042	3,691
14	Other grants and contributions	871	251	2,191	4,375	3,062	4,626
15	Investment income	-	-	3	3	3	3
17	Other income						
	Recoup of salaries	138	120	-	-	138	120
	Sundry Income	-	-	1,543	1,520	1,543	1,520
	TOTAL INCOME	237,487	237,983	97,893	94,240	335,380	332,223
	FINANCIAL ASSETS						
19	Receivables						
	Skills for All receivable from DSD	-	48,441	-	-	-	48,441
	Student and other fees and charges receivable	3,527	27,852	8,440	20,098	11,967	47,950
	less: allowance for doubtful debts	-	-	(1,874)	(2,279)	(1,874)	(2,279)
	Prepayments	-	233	706	1,380	706	1,613
	GST recoverable from ATO	-	-	2,814	274	2,814	274
	Workers compensation receivable	-	-	75	174	75	174
	Other receivables	-	8	87	99	87	107
	TOTAL FINANCIAL ASSETS	3,527	76,534	10,248	19,746	13,775	96,280
	FINANCIAL LIABILITIES						
24	Payables						
	Creditors	458	4,114	4,614	5,725	5,072	9,839
	Accrued expenses	1,513	22,139	3,135	3,883	4,648	26,022
	Employment on-costs	4,481	4,295	6,230	4,427	10,711	8,722
	Paid parental leave scheme payable	-	-	2	14	2	14
	Other	-	-	15	35	15	35
	TOTAL FINANCIAL LIABILITIES	6,452	30,548	13,996	14,084	20,448	44,632

TAFE SA

Notes to and forming part of the financial statements

37 Financial risk management / Financial instruments

Financial risk management

Risk management is managed by the TAFE SA's corporate services section and TAFE SA 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

TAFE SA 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 and maturity analysis of financial assets and liabilities - Table 37.1

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

Category of financial asset and financial liability	Notes	2016 Carrying amount / Fair value \$'000	2016 Contractual maturities			
			Current	Within 1 year	1-5 years	More than 5 years
			\$'000	\$'000	\$'000	\$'000
Financial assets						
Cash and cash equivalents	18	72,499	72,499	-	-	-
Receivables ^{(1) (2)}	19	10,180	10,180	-	-	-
Total financial assets		82,679	82,679	-	-	-
Financial Liabilities						
Financial Liabilities at cost ⁽¹⁾	24	9,448	9,448	-	-	-
Total financial liabilities		9,448	9,448	-	-	-

Category of financial asset and financial liability	Notes	2015 Carrying amount / Fair value \$'000	2015 Contractual maturities			
			Current	Within 1 year	1-5 years	More than 5 years
			\$'000	\$'000	\$'000	\$'000
Financial assets						
Cash and cash equivalents	18	13,846	13,846	-	-	-
Receivables ^{(1) (2)}	19	94,162	94,162	-	-	-
Total financial assets		108,008	108,008	-	-	-
Financial Liabilities						
Financial Liabilities at cost ⁽¹⁾	24	35,609	35,609	-	-	-
Total financial liabilities		35,609	35,609	-	-	-

⁽¹⁾ Receivables 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 and obligations have their source 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).

TAFE SA

Notes to and forming part of the financial statements

⁽²⁾ Receivables amount disclosed here excludes prepayments. Prepayments are presented in Note 19 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.

All amounts recorded are carried at cost (not materially different from amortised cost).

Liquidity risk

Liquidity risk arises from the possibility that TAFE SA is unable to meet its financial obligations as they fall due. TAFE SA is funded principally from *Skills for All / WorkReady* funding provided by the Department of State Development.

TAFE SA settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

TAFE SA'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 37.1 represents TAFE SA's maximum exposure to financial liabilities.

Credit Risk

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

The carrying amount of financial assets as detailed in table 37.1 represents the Corporation's maximum exposure to credit risk.

TAFE SA has minimal concentration of credit risk. TAFE SA has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. TAFE SA does not engage in high risk hedging for its financial assets. No collateral is held as security and credit enhancements relate to financial assets held by TAFE SA.

Allowances for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently TAFE SA does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer to Note 19 for information on the allowance for impairment in relation to receivables.

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

Table 37.2 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						
Not impaired						
Receivables ⁽¹⁾	10,180	1,482	3,570	633	2,621	1,874
2015						
Not impaired						
Receivables	94,162	78,440	2,563	747	10,133	2,279

TAFE SA

Notes to and forming part of the financial statements

38 External funds held by TAFE SA

TAFE SA established the Onshore Petroleum Centre of Excellence (OPCE) with the Minister for Mineral Resources and Energy, SANTOS Limited, Beach Energy Limited and SENEX Energy Limited in May 2014.

Each of the external parties to this arrangement have provided cash and/or in-kind capital contributions for the establishment of the OPCE. These contributions will assist the OPCE in developing courses and delivering training that will increase the skills of people who are, or wish to be employed in the petroleum industry.

As the administering party, TAFE SA holds the funds in a separate interest bearing account on behalf of the Parties and will ensure that no deduction or expenditure is made from that account unless it is in accordance with a decision of the OPCE Board and terms of the Deed.

Decisions made by the Board must be a unanimous decision of all voting Members and cannot be inconsistent with the terms and conditions of this Deed. Note that the representative member from TAFE SA has an advisory role and is not entitled to vote.

As TAFE SA does not have control of these funds they are excluded from TAFE SA's financial statements.

The following is a summary of the transactions on these monies for the year:	2016	2015
	\$'000	\$'000
Opening balance of funds at 1 July	718	800
Interest revenue	6	17
Payments	(713)	(99)
Balance at 30 June	11	718

TAFE SA
Certification of the financial statements
for the year ended 30 June 2016

We certify that the attached general purpose financial statements for TAFE SA:

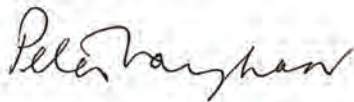
- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Corporation; and
- present a true and fair view of the financial position of TAFE SA 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 TAFE SA for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Robin Murt
Chief Executive

15 September 2016



Peter Vaughan
Chair, TAFE SA Board

15 September 2016


John O'Dea
Chief Financial Officer

15 September 2016



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To the Chair TAFE SA Board

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 32 of the *Public Corporations Act 1993*, I have audited the accompanying financial report of TAFE SA 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 - Expense and Income for the year ended 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chair, TAFE SA Board, Chief Executive and the Chief Financial Officer.

The Board of Directors' responsibility for the financial report

The Directors of the TAFE SA 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 Directors of the TAFE SA 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.

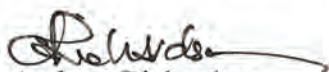
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. 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 Directors of the TAFE SA 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 TAFE SA'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 TAFE SA 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

20 September 2016

Department of Treasury and Finance

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	5	63 905	55 710
Supplies and services	6	44 082	42 049
Depreciation and amortisation expense	7	2 946	1 321
Total expenses		110 933	99 080
Income			
Revenues from fees and charges	9	41 606	40 251
Other income	10	8 376	2 257
Total income		49 982	42 508
Net cost of providing services		(60 951)	(56 572)
Revenues from / payments to SA Government			
Revenues from SA Government	11	76 424	59 117
Payments to SA Government	11	-	(2 737)
Total revenues from SA Government		76 424	56 380
Net result		15 473	(192)
Total comprehensive result		15 473	(192)

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.

Statement of Financial Position
as at 30 June 2016

	Note	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	12	10 331	9 683
Receivables	13	8 176	5 128
Total current assets		18 507	14 811
Non-current assets			
Receivables	13	7	25
Property, plant and equipment	14	12 225	1 462
Intangible assets	15	29 185	24 967
Total non-current assets		41 417	26 454
Total assets		59 924	41 265
Current liabilities			
Payables	17	5 770	6 643
Employee benefits	18	7 198	6 234
Provisions	19	191	174
Total current liabilities		13 159	13 051
Non-current liabilities			
Payables	17	1 474	1 170
Employee benefits	18	15 967	13 068
Provisions	19	387	512
Total non-current liabilities		17 828	14 750
Total liabilities		30 987	27 801
Net assets		28 937	13 464
Equity			
Contributed capital		547	547
Retained earnings		28 390	12 917
Total equity	20	28 937	13 464

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.

Statement of Changes in Equity
for the year ended 30 June 2016

	Note	Contributed capital \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 30 June 2014		547	13 109	13 656
Total comprehensive result for 2014-15		-	(192)	(192)
Balance at 30 June 2015	20	547	12 917	13 464
Total comprehensive results for 2015-16		-	15 473	15 473
Balance at 30 June 2016	20	547	28 390	28 937

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

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

Department of Treasury and Finance
Statement of Cash Flows
for the year ended 30 June 2016

		2016	2015
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash outflows			
Employee benefit payments		(59 695)	(53 411)
Payments for supplies and services		(52 252)	(47 859)
Payments for Paid Parental Leave Scheme		(188)	(218)
Cash used in operations		(112 135)	(101 488)
Cash inflows			
Fees and charges		42 391	42 451
GST recovered from the Australian Taxation Office		3 355	1 459
Other receipts		7 354	2 257
Receipts for Paid Parental Leave Scheme		169	221
Cash generated from operations		53 269	46 388
Cash flows from SA Government			
Receipts from SA Government		76 424	59 117
Payments to SA Government		-	(2 737)
Cash generated from SA government		76 424	56 380
Net cash provided by/(used in) operating activities	24(b)	17 558	1 280
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(10 268)	(471)
Purchase of intangibles		(6 642)	(4 849)
Cash used in investing activities		(16 910)	(5 320)
Net cash provided by/(used in) investing activities		(16 910)	(5 320)
Net increase (decrease) in cash and cash equivalents		648	(4 040)
Cash and cash equivalents at the beginning of the period		9 683	13 723
Cash and cash equivalents at the end of the period	24(a)	10 331	9 683

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

**Disaggregated Disclosures
Expenses and Income**
for the year ended 30 June 2016

	Gambling Policy		Accountability for Public Sector Resources		Treasury Services		Financial Services Provision		Veterans' Affairs	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses										
Employee benefits expenses	603	342	8 949	12 364	4 441	5 056	48 845	35 250	1 067	491
Supplies and services	153	203	3 992	6 047	2 258	1 564	36 669	32 361	1 010	693
Depreciation and amortisation expense	3	4	119	98	-	10	2 814	1 182	10	7
Total expenses	759	549	13 060	18 509	6 699	6 630	88 328	68 793	2 087	1 191
Income										
Revenues from fees and charges	285	25	244	733	5 657	5 729	35 400	33 636	20	37
Other income	1	1	58	1 957	-	-	2 316	240	6 001	27
Total income	286	26	302	2 690	5 657	5 729	37 716	33 876	6 021	64
Net cost of providing services	(473)	(523)	(12 758)	(15 819)	(1 042)	(901)	(50 612)	(34 917)	3 934	(1 127)
Revenues from / payments to SA Government										
Revenues from SA Government	-	-	-	-	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-	-	-	-	-
Net result	(473)	(523)	(12 758)	(15 819)	(1 042)	(901)	(50 612)	(34 917)	3 934	(1 127)

**Disaggregated Disclosures
Expenses and Income**
for the year ended 30 June 2016

	Support Services*		Motor Injury Insurance (CTP) Reform*		General / Not Attributable		Activity Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Expenses								
Employee benefits expenses	-	2 215	-	(8)	-	-	63 905	55 710
Supplies and services	-	1 130	-	51	-	-	44 082	42 049
Depreciation and amortisation expense	-	20	-	-	-	-	2 946	1 321
Total expenses	-	3 365	-	43	-	-	110 933	99 080
Income								
Revenues from fees and charges	-	91	-	-	-	-	41 606	40 251
Other income	-	21	-	11	-	-	8 376	2 257
Total income	-	112	-	11	-	-	49 982	42 508
Net cost of providing services	-	(3 253)	-	(32)	-	-	(60 951)	(56 572)
Revenues from / payments to SA Government								
Revenues from SA Government	-	-	-	-	76 424	59 117	76 424	59 117
Payments to SA Government	-	-	-	-	-	(2 737)	-	(2 737)
Net result	-	(3 253)	-	(32)	76 424	56 380	15 473	(192)

* These activities have been included for the purposes of reporting comparative figures. Ministerial fleet within the activity Support Services transitioned to DPC in 2013-14 and other components of the activity have been included in General/Not Attributable in 2015-16. The activity Motor Injury Insurance (CTP) Reform ceased at the end of 2014-15.

**Disaggregated Disclosures
Assets and Liabilities
as at 30 June 2016**

	Gambling Policy		Accountability for Public Sector Resources		Treasury Services		Financial Services Provision		Veterans' Affairs	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets										
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	10	56	3	4	5 230	831	971	-
Property, plant and equipment	-	-	7	74	-	-	422	228	9 971	-
Intangible assets	-	-	-	488	-	-	28 982	24 340	73	38
Total assets	-	-	17	618	3	4	34 634	25 399	11 015	38
Liabilities										
Payables	25	13	475	1 075	523	440	4 491	1 210	798	29
Employee benefits	219	118	3 244	4 284	1 610	1 752	17 706	12 213	387	169
Provisions	2	3	52	99	30	26	481	528	13	11
Total liabilities	246	134	3 771	5 458	2 163	2 218	22 678	13 951	1 198	209
Net assets	(246)	(134)	(3 754)	(4 840)	(2 160)	(2 214)	11 956	11 448	9 817	(171)

**Disaggregated Disclosures
Assets and Liabilities
as at 30 June 2016**

	Support Services*		Motor Injury Insurance (CTP) Reform*		General / Not Attributable		Activity Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Assets								
Cash and cash equivalents	-	-	-	-	10 331	9 683	10 331	9 683
Receivables	-	5	-	-	1 969	4 257	8 183	5 153
Property, plant and equipment	-	39	-	-	1 825	1 121	12 225	1 462
Intangible assets	-	-	-	-	130	101	29 185	24 967
Total assets	-	44	-	-	14 255	15 162	59 924	41 265
Liabilities								
Payables	-	1 313	-	-	932	3 733	7 244	7 813
Employee benefits	-	769	-	(3)	(1)	-	23 165	19 302
Provisions	-	18	-	1	-	-	578	686
Total liabilities	-	2 100	-	(2)	931	3 733	30 987	27 801
Net assets	-	(2 056)	-	2	13 324	11 429	28 937	13 464

* These activities have been included for the purposes of reporting comparative figures. Ministerial fleet within the activity Support Services transitioned to DPC in 2013-14 and other components of the activity have been included in General/Not Attributable in 2015-16. The activity Motor Injury Insurance (CTP) Reform ceased at the end of 2014-15.

Notes to and forming part of the financial statements

1 Objectives of the Department of Treasury and Finance (the Department)

The Department administers a range of programs and services in support of the government's seven strategic priorities and ten economic priorities for the State and South Australia's Strategic Plan.

Sound budgeting and strong state finances underpin all of the government's goals for the long-term future of the State.

Within this context, the Department's objectives are to ensure strong state finances and provide:

- Effective budget and financial management processes
- Efficient and responsive services
- Effective economic, social and regulatory policy

To achieve these objectives, the Department undertakes a number of activities for the government. The activity information is summarised in note 4.

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 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 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 judgement in the process of applying the Department's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; 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;

Notes to and forming part of the financial statements

2.2 Basis of preparation (continued)

- 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 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.

2.3 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 (refer to the disaggregated schedule for details of the Department's controlled activities).

Transactions and balances relating to administered resources are not recognised as departmental income, expenses, assets or liabilities. As administered items are significant in relation to the Department's overall financial performance and position, they are disclosed in the administered financial statements at the back of the controlled general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

2.4 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 financial statement information.

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 restructure/machinery of government changes. The budget process is not subject to audit.

2.5 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 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 report for the preceding period.

Notes to and forming part of the financial statements

2.6 Rounding

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

2.7 Taxation

The Department is not subject to income tax. The Department 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 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 Department prepares the Business Activity Statement on behalf of the Administered items and Bureau agencies under the grouping provisions of the GST legislation. Under these provisions, the Department is liable for the payments and entitled to the receipt of GST. As such, 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.

2.8 Events after the end of 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 when the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

2.9 Income

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

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

The following are specific recognition criteria:

Fees and charges

Revenues from fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to clients or by reference to the stage of completion. Fees and charges include guarantee fees which represent a price for the funding cost advantage the government guarantee gives to an agency and encompasses other advantages afforded by the government's financing frameworks and mechanisms. Guarantee fees are collected pursuant to Section 20 of the *Public Finance and Audit Act 1987*.

2.9 Income (continued)

Contributions received

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

Generally, the Department has obtained control or the right to receive for:

- Contributions with unconditional stipulations - this will be when the agreement becomes enforceable i.e. the earlier of when the Department has formally been advised that the contribution (e.g. grant application) has been approved; agreement/contract is executed; and/or the contribution is received; and
- Contributions with conditional stipulations - this will be when the enforceable stipulations specified in the agreement occur or are satisfied; that is income would be recognised for contributions received or receivable under the agreement.

All contributions received by the Department have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

Revenues from SA Government

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

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.

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.

Gains on disposal of non-current assets are recognised at the date control of the asset is passed to the buyer and determined after deducting the cost of the asset from the proceeds at that time.

Taxation

Taxation revenue includes payroll tax, property taxes (land tax, stamp duty and emergency services levy), income tax equivalents and contributions from the Lotteries Commission of South Australia. All taxes are collected on behalf of the State government and recognised on receipt. All taxation revenues are reported net of any taxation refunds.

Payroll tax is payable pursuant to the *Payroll Tax Act 2009*. A payroll tax liability arises in South Australia when an employer (or a group of employers) has a wages bill in excess of \$600 000 for services performed by employees in South Australia. Eligible employers with a taxable Australian payroll of less than or equal to \$1.2 million are entitled to the small business payroll tax rebate from 2013-14 to 2019-20.

Stamp duty is a charge on certain documents and transactions. Stamp duty is charged at either a flat rate or an ad valorem rate (based on the value of the transaction) depending on the particular document or transaction. Stamp duties apply to a range of transactions including conveyances, mortgages, insurance and rental transactions. Stamp Duties are levied under the authority of the *Stamp Duties Act 1923*, which is supported by the *Stamp Duties Regulations 2002*.

Land tax is charged on land ownership and calculated according to the site value of the land. The land owner is exempt from land tax where the land constitutes the owner's principal place of residence (other exemptions also apply).

As a result of changes to the *Casino Act 1997* and Casino Agreements the Commissioner of State Taxation commenced administration and collection of the Casino Duty from 1 January 2014. This includes all duty from gaming tables and gaming machines within the Adelaide Casino.

The Department also collects the fixed property component of emergency services levy payable under the *Emergency Services Funding Act 1998*.

Notes to and forming part of the financial statements

2.9 Income (continued)

Income tax equivalents are collected from applicable public authorities or business units in accordance with Treasurer's Instruction 22 'Tax Equivalent Payments'. Tax equivalent payments are calculated and paid on the basis of the Accounting Profits Method at the companies' income tax rate under the Commonwealth's *Income Tax Assessment Act 1997*.

Contributions from the Lotteries Commission of South Australia include distributions to the Hospitals Fund received in accordance with the *State Lotteries Act 1966*.

Commonwealth revenues

Commonwealth revenue disclosed in note 38 includes GST grants, Specific Purpose Payments and National Partnership Payments received from the Commonwealth pursuant to the Intergovernmental Agreement on Federal Financial Relations (IGAFFR). All Commonwealth revenue is recognised when received.

Dividends

Dividends represent distributions from applicable for-profit government agencies and include returns of accumulated capital. Dividend amounts are approved by the Treasurer prior to reporting date and recognised on receipt. Dividends are passed on to the Consolidated Account.

Interest revenues

Interest revenues principally relate to the income received/receivable on the Treasurer's deposit with the South Australian Government Financing Authority (SAFA). This interest is received/receivable on a quarterly basis at prevailing market rates.

Other revenues

Other revenue recognised in note 44 mainly represents the receipt of cash from agencies which is passed on to the Consolidated Account in accordance with the government's relevant policy directive. Revenue received in this manner and subsequently transferred to the Consolidated Account includes repayment of capital and advances, return of cash pursuant to the government's cash alignment policy and return of deposit account balances.

2.10 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 benefits expenses

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

Employee benefits expenses include expenses associated with the employment of staff assigned to support the activities of SAFA and the South Australian Superannuation Board (Super SA). The Department fully recovers these expenses through Service Level Agreements with SAFA and Super SA.

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Department to the superannuation scheme in respect of current services of current departmental staff. The superannuation liability of the SA Government is recognised in the whole of-government general purpose financial statements.

Notes to and forming part of the financial statements

2.10 Expenses (continued)

Superannuation contributions to various schemes (Administered)

This item represents past service superannuation cash payments to the South Australian Superannuation Fund and Police Superannuation Scheme. This annual contribution is designed to support the government's target of fully funding its unfunded superannuation liabilities by 2034 and is recognised when paid.

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

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

The value of fitouts for leased buildings is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Land, water licences and non-current assets held for sale are not amortised / depreciated.

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

Class of Asset	Useful Life (yr)
Buildings	0 - 39
Land Improvements	3 - 100
Fitouts - leased buildings	Life of lease
Furniture	5 - 10
Information Technology Equipment	3 - 5
Intangibles	3 - 15
Office Equipment	3 - 7
Plant and Equipment	5 - 10

Grants subsidies and transfers

Grants, subsidies and transfers mainly represent the transfer of Commonwealth funding received pursuant to the IGAFFR to relevant government agencies. It also includes the payment of grants and other contributions approved by the Treasurer using appropriation funding provided to the Treasury and Finance administered items account. Grants, subsidies and transfers are recognised when paid.

Borrowing costs

Borrowing costs include annual interest charges on the Treasurer's borrowings from SAFA and interest paid by the Treasurer on agency deposit and special deposit accounts.

Interest is paid from the Treasury and Finance Administered Items special deposit account using funds appropriated for that purpose. While the Department administers these payments on behalf of the Treasurer, the underlying loan arrangements are administered by SAFA and are therefore not included in the Statement of Administered Financial Position.

Notes to and forming part of the financial statements

2.10 Expenses (continued)

Further information on borrowings undertaken by the Treasurer for the SA Government and other government financial assets and liabilities can be found in the SAFA annual report and the Consolidated Financial Report for the Government of South Australia prepared under AASB 1049 Whole of Government and Government Sector Financial Reporting.

Payments to SA Government

Payments to the SA Government reflect the return of surplus cash pursuant to the cash alignment policy and Administered Items includes the transfer of revenue received on behalf of the Consolidated Account.

Other Expenses

Other expenses include loans forgiven. Loans forgiven are the loans provided by the Treasurer to recipients on the basis that the Treasurer will forgive these loans if the recipient duly performs specified obligations defined under the loan agreement. The Treasurer forgives these loans on being satisfied that the recipient has duly performed these obligations.

2.11 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 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.

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.

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 can be 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 provided, GST input tax credits recoverable, prepayments and other accruals. GST receivables include amounts for controlled, administered and bureau agencies.

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

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

Other financial assets

The Department measures financial assets and debt at historical cost, except for interest free loans (measured at the present value of expected repayments).

2.12 Assets (continued)

Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification. Non-current assets classified as held for sale are not depreciated or amortised.

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 costs 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.

However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at book value i.e. the amount recorded by the transferor public authority immediately prior to the restructure.

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

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 its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

The Department re-values its land and buildings over \$1 million every 6 years via an independent Certified Practising Valuer. The next independent revaluation is due in June 2019. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the 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 the 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 de-recognition, any revaluation surplus relating to that asset is transferred to retained earnings.

Impairment

All non-current tangible and intangible assets are reviewed for indications of impairment through stocktaking processes or at the 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.

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

2.12 Assets (continued)

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 infinite. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition of software or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10 000.

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

Subsequent expenditure on intangible assets that includes upgrades or enhancements to existing software systems that result in additional functionality or performance is capitalised. Other expenditure for modifications that merely maintain the existing level of performance or system functionality is expensed.

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.

Level 2 - not traded in active markets 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.

Non financial assets

In determining fair value, the Department 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 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 an estimated useful life that was less than three years are deemed to approximate fair value.

Refer to note 16 and note 51 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Notes to and forming part of the financial statements

2.13 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, employment on-costs and Paid Parental Leave Scheme payable. GST payables include amounts for Controlled, Administered and Bureau activities.

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

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

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.

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 payroll tax, Return to Work SA levies and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

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

Leases

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

The Department has entered into operating leases.

Finance leases

The Department does not have any finance leases.

Operating leases

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

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 experience and retention 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 liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

Notes to and forming part of the financial statements

2.13 Liabilities (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 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 similar 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 to the estimated future cash outflows.

The current classification of the Department's long service leave liabilities has been calculated based on historical leave patterns, based on the Department's experience of employee retention and leave taken. The remainder of long service leave is classified as non-current.

This calculation is consistent with the Department's experience of employee retention and leave taken.

Provisions

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

When the Department expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. 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.

Workers' compensation

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.

The Department is responsible for the payment for workers' compensation claims.

2.14 Unrecognised contractual commitments and contingent assets and liabilities

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

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

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the 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.

Notes to and forming part of the financial statements

3 New and revised accounting standards and policies

The Department did not change any of its accounting policies during 2015-16.

Except for AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* 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 period ending 30 June 2016. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

Notes to and forming part of the financial statements

4 Activities of the Department

In achieving its objectives, the Department undertakes the following activities:

Activity 1 Gambling Policy

The Department provides policy advice to the Government on economic, social and regulatory issues associated with gambling.

Activity 2 Accountability for Public Sector Resources

The Department ensures accountability for public sector resources through providing policy, economic and financial advice to the Government and coordinating resource allocations for Government programs and priorities at the whole-of-government level.

Activity 3 Treasury Services

The Department manages the Government's financial assets and liabilities and provision of certainty of funding to the State.

Activity 4 Financial Services Provision

The Department provides a range of whole of government services including liability management, collection of taxes, insurance, superannuation and fleet administration.

Activity 5 Veterans' Affairs

The Department supports our ex-servicemen and women and those who support them by providing a central contact point for information about the State Government's services to veterans across departments, including health, transport, disability and mental health.

General/not attributable: *Certain items of the Department are not allocated to activities.*

The Disaggregated Disclosure Schedules present expenses, income, assets and liabilities attributed to each of the activities for the years ended 30 June 2016 and 30 June 2015.

5 Employee benefits expenses

	2016	2015
	\$'000	\$'000
Salaries and wages	43 889	38 442
TVSPs (refer below)	256	-
Long service leave	4 067	3 285
Annual leave	4 619	3 682
Skills and experience retention leave	337	226
Employment on-costs - superannuation	6 684	6 291
Employment on-costs - other	2 963	2 649
Board and committee fees	370	291
Other employee related expenses	720	844
Total employee benefits expenses*	63 905	55 710

*The increase in employee benefits expenses is primarily due to the transfer of employees undertaking ICT services from the Department of the Premier and Cabinet to the Department in conjunction with additional employee expenditure for the Compulsory Third Party Insurance Market Reform project and the Commercial Projects Group (refer to note 26).

Notes to and forming part of the financial statements

5 Employee benefits expenses (continued)**Targeted Voluntary Separation Packages (TVSPs)**

	2016 \$'000	2015 \$'000
Amounts paid to separated employees:		
TVSPs	256	-
Leave paid to those employees	105	-
Net cost to Department of Treasury and Finance	361	-

The number of employees who received a TVSP during the reporting period was **5** (NIL).

Remuneration of employees

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

	2016 Number of employees	2015 Number of employees
\$141 500 to \$145 000*	-	1
\$145 001 to \$155 000	4	2
\$155 001 to \$165 000	4	4
\$165 001 to \$175 000	6	11
\$175 001 to \$185 000	3	3
\$185 001 to \$195 000	7	3
\$195 001 to \$205 000	1	2
\$205 001 to \$215 000	1	1
\$215 001 to \$225 000	-	2
\$225 001 to \$235 000	4	1
\$235 001 to \$245 000	1	1
\$245 001 to \$255 000	1	-
\$255 001 to \$265 000	1	-
\$265 001 to \$275 000	-	2
\$275 001 to \$285 000	-	1
\$285 001 to \$295 000	2	1
\$295 001 to \$305 000	1	-
\$315 001 to \$325 000	-	1
\$325 001 to \$335 000	-	2
\$335 001 to \$345 000	1	-
\$355 001 to \$365 000	1	-
\$365 001 to \$375 000	-	1
\$405 001 to \$415 000	-	1
\$415 001 to \$425 000	1	-
Total number of employees	39	40

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

The bands above include long service leave and annual leave payments relating to employees who received a termination payment during the financial year.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year, of which **35** (37) are executive and **4** (3) are non-executive staff. Remuneration of employees reflects all costs of employment including salaries and wages, payment in lieu of leave, superannuation contributions, fringe benefits, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was **\$8 203 000** (\$8 431 000).

Notes to and forming part of the financial statements

6 Supplies and services

	2016	2015
	\$'000	\$'000
Accommodation and telecommunication	5 741	5 046
Information technology charges	7 823	5 977
Minor works, maintenance and equipment	675	438
Legal costs	3 692	2 846
Consultants*	2 831	2 159
Contractors and temporary staff	6 561	3 124
Valuation fees	4 794	4 727
General administration and consumables	4 668	4 298
Corporate recharge expense	3 205	10 447
Other	4 092	2 987
Total supplies and services	44 082	42 049

The total supplies and services amount disclosed includes GST amounts not-recoverable from the Australian Taxation Office due to the Department not holding a valid tax invoice or payments relating to third party arrangements.

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

	2016	2015	2016	2015
	Number	Number	\$'000	\$'000
Below \$10 000	15	17	71	83
Above \$10 000	15	29	2 760	2 076
Total paid/payable to consultants engaged	30	46	2 831	2 159

7 Depreciation and amortisation expense

	2016	2015
	\$'000	\$'000
Furniture	4	4
Information technology equipment	373	289
Office equipment	2	10
Intangible assets	2 417	819
Building fitouts	150	199
Total depreciation and amortisation expense	2 946	1 321

8 Auditor's remuneration

	2016	2015
	\$'000	\$'000
Audit fees paid / payable to the Auditor-General's Department relating to the audit of financial statements.	465	572
Total audit fees	465	572

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 to note 6.

Notes to and forming part of the financial statements

9 Revenues from fees and charges

	2016	2015
	\$'000	\$'000
Fees for the provision of corporate services	293	384
South Australian Government Financing Authority	12 822	12 238
South Australian Superannuation Board	20 266	16 694
Community Emergency Services Fund	6 342	6 187
Land tax certificates	262	264
Regulatory fees	80	160
Service provision	888	3 051
Other recoveries	653	1 273
Total fees and charges	41 606	40 251

10 Other income

	2016	2015
	\$'000	\$'000
Commissions	144	139
Banking recoveries	1 792	1 556
Other income*	6 440	562
Total other income	8 376	2 257

* Additional other income in 2015-16 relates to a once-off contribution from the Commonwealth Government and the Adelaide City Council to fund the ANZAC Memorial Garden Walk project (refer to note 26).

11 Revenues from/payments to SA Government

	2016	2015
	\$'000	\$'000
Revenues from SA Government		
Appropriations from the Consolidated Account pursuant to the <i>Appropriation Act</i>	64 792	50 412
Transfers from the Treasurer's Contingency Fund	11 632	8 705
Total revenues from SA Government	76 424	59 117
Payments to SA Government		
Return of surplus cash pursuant to Cash Alignment Policy	-	2 737
Total payments to SA Government	-	2 737

Contingencies included \$0 (\$331 000) for TVSP reimbursements, \$40 000 (\$179 000) for the enterprise bargaining supplementation, \$10 108 000 (\$3 800 000) for the CTP Insurance Market Reform Project, \$480 000 for Land Services Group Project, \$0 (\$3 523 000) for the Tax Reform project, \$1 000 000 (\$522 000) for the Market Projects Unit, \$4 000 for Ministerial contract employees supplementation.

Total revenues from SA Government consist of \$68 936 000 for operational funding and \$7 488 000 for capital projects.

The original amount appropriated to the Department under the annual *Appropriation Act* was not varied. An additional amount of \$9 070 000 was received from the Treasurer via the Governor's Appropriation Fund.

Notes to and forming part of the financial statements

12 Cash and cash equivalents

	2016	2015
	\$'000	\$'000
Deposits with the Treasurer	10 328	9 680
Cash on hand	3	3
Total cash and cash equivalents	10 331	9 683

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of this fund is \$5 257 000 and is not available for general use.

Interest rate risk

Cash on hand and Deposits at call and with the Treasurer are non-interest bearing. The nominal amount of cash and cash equivalents represents fair value.

13 Receivables

	2016	2015
	\$'000	\$'000
Current		
Receivables	748	526
Accrued revenues	5 776	2 072
Prepayments	885	1 000
Net GST receivable from the ATO	767	1 530
Total current receivables	8 176	5 128
Non-current		
Receivables	7	19
Prepayments	-	6
Total non-current receivables	7	25
Total receivables	8 183	5 153

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.

The following table shows the movements in the allowance for doubtful debts (impairment loss):

	2 016	2 015
	\$'000	\$'000
Carrying amount at the beginning of the period	-	1
Amounts written off	-	(1)
Carrying amount at the end of the period	-	-

Notes to and forming part of the financial statements

13 Receivables (continued)**Interest rate and credit risk**

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables and accrued revenues are non-interest bearing.

Other than 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.

Ageing analysis of financial assets - refer to Table 27.3 in note 27.

Maturity analysis of financial assets and liabilities - refer to Table 27.4 in note 27.

Categorisation of financial instruments and risk exposure information - refer to note 27.

14 Property, plant and equipment

	2016	2015
	\$'000	\$'000
Building fitouts		
At cost	2 613	2 145
Accumulated amortisation	(1 960)	(1 812)
Total building fitouts	653	333
Furniture		
At cost	260	260
Accumulated depreciation	(259)	(255)
Total furniture	1	5
Information technology equipment		
At cost	2 003	1 764
Accumulated depreciation	(1 299)	(1 021)
Total information technology equipment	704	743
Office equipment		
At cost	279	382
Accumulated depreciation	(269)	(370)
Total office equipment	10	12
Work in progress		
At cost	10 857	369
Total work in progress*	10 857	369
Total property, plant and equipment	12 225	1 462

*The increase in WIP is primarily due to the construction of the ANZAC Memorial Garden Walk in 2015-16.

Carrying amount of property, plant and equipment

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 APF III. The carrying value of these items are deemed to approximate fair value. The 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.

Notes to and forming part of the financial statements**14 Property, plant and equipment (continued)****Impairment**

There were no indicators of impairment for property, plant and equipment as at 30 June 2016.

Reconciliation of property, plant and equipment

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

2016	Building fitouts \$'000	Furniture \$'000	Information technology equipment \$'000	Office equipment \$'000	Work in progress \$'000	Total \$'000
Carrying amount at the beginning of the period	333	5	743	12	369	1,462
Additions	100	-	-	-	11 183	11 283
Capital transfers from WIP	370	-	325	-	(695)	-
Transfer between asset classes	-	-	9	-	-	9
Depreciation and amortisation expense	(150)	(4)	(373)	(2)	-	(529)
Carrying amount at the end of the period	653	1	704	10	10 857	12 225

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

2015	Building fitouts \$'000	Furniture \$'000	Information technology equipment \$'000	Office equipment \$'000	Work in progress \$'000	Total \$'000
Carrying amount at the beginning of the period	412	49	353	7	654	1,475
Additions	-	-	9	15	487	511
Capital transfers from WIP	120	-	652	-	(772)	-
Other movements	-	(40)	-	-	-	(40)
Transfer between asset classes	-	-	18	-	-	18
Depreciation and amortisation expense	(199)	(4)	(289)	(10)	-	(502)
Carrying amount at the end of the period	333	5	743	12	369	1 462

Notes to and forming part of the financial statements

15 Intangible assets

	2016	2015
	\$'000	\$'000
Internally developed computer software		
At cost	40 060	21 048
Accumulated amortisation	(14 228)	(11 811)
Total internally developed computer software	25 832	9 237
Externally acquired software		
At cost	2 099	2 099
Accumulated amortisation	(2 099)	(2 099)
Total externally acquired software	-	-
Work in progress		
At cost	3 353	15 730
Total work in progress	3 353	15 730
Total intangible assets	29 185	24 967

Reconciliation of Intangible assets

The following table shows the movement of intangible assets during 2015-16:

	Internally developed software	Externally acquired software	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	9 237	-	15 730	24 967
Additions	-	-	6 644	6 644
Capital transfers from WIP	19 012	-	(19 012)	-
Transfers between asset classes	-	-	(9)	(9)
Amortisation expense	(2 417)	-	-	(2 417)
Carrying amount at the end of the period	25 832	-	3 353	29 185

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

The following table shows the movement of intangible assets during 2014-15:

	Internally developed software	Externally acquired software	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	9 665	60	11 230	20 955
Additions	195	-	4 653	4 848
Capital transfers from WIP	182	-	(182)	-
Transfers between asset classes	-	(46)	29	(17)
Amortisation expense	(805)	(14)	-	(819)
Carrying amount at the end of the period	9 237	-	15 730	24 967

Notes to and forming part of the financial statements

16 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 as follows:

Fair value measurements at 30 June 2016

	Level 3	2016
	\$'000	\$'000
Recurring fair value measurements		
Building fitouts (Note 14)	653	653
Furniture (Note 14)	1	1
Information technology equipment (Note 14)	704	704
Office equipment (Note 14)	10	10
Total recurring fair value measurements	1 368	1 368

Fair value measurements at 30 June 2015

	Level 3	2015
	\$'000	\$'000
Recurring fair value measurements		
Building fitouts (Note 14)	333	333
Furniture (Note 14)	5	5
Information technology equipment (Note 14)	743	743
Office equipment (Note 14)	12	12
Total recurring fair value measurements	1 093	1 093

There were no transfers of assets into or out of the level 3 hierarchy in 2016. The Department'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

All property, plant and equipment is recognised at cost less accumulated depreciation.

In accordance with APF III 'Asset Accounting Framework', property, plant and equipment is only revalued when its fair value at acquisition date exceeds \$1 million and its estimated useful life is greater than 3 years. The Department does not control any assets that meet this threshold.

Estimates of residual value and useful life used to calculate accumulated depreciation are not based on observable market data. For this reason all property, plant and equipment is categorised into level 3.

There were no changes in valuation techniques during 2016.

Notes to and forming part of the financial statements

16 Fair value measurement (continued)

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

	Office equipment	Building fitouts	Furniture	Information technology equipment
	\$'000	\$'000	\$'000	\$'000
Opening balance at the beginning of the period	12	333	5	743
Additions	-	470	-	325
Transfers between asset classes	-	-	-	9
Subtotal	12	803	5	1 077
Gains/(losses) for the period recognised in net result:				
Depreciation	(2)	(150)	(4)	(373)
Carrying amount at the end of the period	10	653	1	704

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

	Office equipment	Building fitouts	Furniture	Information technology equipment
	\$'000	\$'000	\$'000	\$'000
Opening balance at the beginning of the period	7	412	49	353
Additions	15	120	-	661
Transfers between asset classes	-	-	-	18
Subtotal	22	532	49	1 032
Gains/(losses) for the period recognised in net result:				
Prior period adjustments	-	-	(40)	-
Depreciation	(10)	(199)	(4)	(289)
Carrying amount at the end of the period	12	333	5	743

17 Payables

	2016	2015
	\$'000	\$'000
Current		
Creditors and accrued expenses	4 744	5 758
Employment on-costs	1 021	861
Paid Parental Leave Scheme payable	5	24
Total current payables	5 770	6 643
Non-current		
Employment on-costs	1 474	1 170
Total non-current payables	1 474	1 170
Total payables	7 244	7 813

Notes to and forming part of the financial statements**17 Payables (continued)**

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 an increase in the employment on-cost of \$45 000 and employee benefits expense of \$45 000.

Interest rate and credit risk

Creditors are raised for all amounts billed but unpaid. Creditors are normally settled within 30 days of the invoice date provided the goods and services have been received. Employment on-costs are settled when the respective employee benefits that they relate to are discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand. In addition, there is no concentration of credit risk.

Maturity analysis of financial assets and liabilities - refer to table 27.4 in note 27.

Categorisation of financial instruments and risk exposure information - refer to note 27.

18 Employee benefits

	2016	2015
	\$'000	\$'000
Current		
Accrued salaries and wages	791	313
Annual leave	4 356	3 858
Long service leave	1 655	1 787
Skills and experience retention leave	396	276
Total current employee benefits	7 198	6 234
Non-current		
Long service leave	15 967	13 068
Total non-current employee benefits	15 967	13 068
Total employee benefits	23 165	19 302

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in measurement of the long service liability. The yield on long-term Commonwealth Government bonds has 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 services leave liability. The net financial effect of the changes in the current financial year is an increase in the long service leave liability of \$1 147 000. 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.

Notes to and forming part of the financial statements

19 Provisions

	2016 \$'000	2015 \$'000
Current		
Provision for workers' compensation	191	174
Total current provisions	191	174
Non-current		
Provision for workers' compensation	387	512
Total non-current provisions	387	512
Total provisions	578	686

Reconciliation of provisions

Carrying amount at the beginning of the period	686	912
Payments/other sacrifices of future economic benefits	(213)	(225)
Additional provisions recognised	105	(1)
Carrying amount at the end of the period	578	686

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 (a division of the Department of the Premier and Cabinet).

20 Equity

	2016 \$'000	2015 \$'000
Capital contribution	547	547
Retained earnings	28 390	12 917
Total equity	28 937	13 464

21 Unrecognised contractual commitments

a) Operating lease commitments

The Department as Lessee

At the reporting date, the Department has operating leases for office accommodation and motor vehicles.

Office accommodation is leased from the Department of Planning, Transport and Infrastructure. The leases are non-cancellable with original terms ranging up to 6 years with some having right of renewal. Rental is payable in arrears.

Motor vehicles are leased from SAFA through their agent LeasePlan, these leases are non-cancellable with terms of 3-5 years.

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
Not later than one year	769	1 317
Later than one year but not later than five years	79	518
Later than five years	-	-
Total Non-Cancellable Operating Lease Commitments	848	1 835

Notes to and forming part of the financial statements

21 Unrecognised contractual commitments (continued)

b) Other Commitments

The Department's other commitments are primarily agreements for software licenses and software development.

	2016	2015
	\$'000	\$'000
Not later than one year	11 791	3 325
Later than one year and not later than five years	4 167	489
Total Other Commitments	15 958	3 814

22 Contingent assets and liabilities

The Department is not aware of any contingent assets or liabilities in relation to the Department's operations. In addition, the Department has made no guarantees.

23 Remuneration of board and committee members

SAFA Advisory Board

Mr David Reynolds (Presiding Member) -
(Appointed 01/12/15)*
Ms Kathryn Presser (Appointed 16/07/15)
Ms Joan Fitzpatrick
Mr Paul Holloway (Appointed 16/07/15)
Ms Juliet Brown
Mr Mark Day (Appointed 16/07/15)
Mr Jamie Hollamby*
Ms Nicolle Rantanen (Deputy Member)
(Appointed 21/04/16)*
Ms Kerry Rowlands (Deputy Member)*
Mr Brett Rowse (Resigned 30/11/15)*
Mr Garry Goddard (Deputy Member) -
(Term ended 30/11/15)*

SAFA Audit and Risk Management Committee

Ms Juliet Brown (Chair)
Mr Mark Day
Mr Jamie Hollamby*
Ms Joan Fitzpatrick

Super SA Board

Mr Philip Jackson (Presiding Member)
Ms Virginia Deegan
Mr Donald Edward Farrell (Appointed 23/07/15) -
(Resigned 27/05/16)
Dr Bill Griggs*
Ms Jan McMahon
Ms Deborah Black (Term ended 11/7/15)
Mr John Wright (Deputy Member)
(Term ended 27/5/16)*
Ms Leah York (Deputy Member)
Ms Elizabeth Hlipala (Deputy Member)*
Mr Aaron Chia (Deputy Member)*

Super SA Member Services Committee

Ms Jan McMahon (Convenor of Meetings)
Ms Leah York
Dr Bill Griggs*
Mr John Montague*

Super SA Audit, Risk and Finance Committee

Ms Virginia Deegan (Convenor of Meetings)
Mr Philip Jackson (Presiding Member)
Mr John Wright

Veterans' Advisory Council

AVM B Espeland AM (Retd) (Chair) (Appointed 01/06/16)
Hon Sir Eric Neal AC CVO (Resigned 30/04/16)
BRIG L Lewis AM (Retd)*
BRIG TJ Hanna AM
Dr P D Schultz OAM
LTCOL I R Gregg
LTCOL J Spencer OAM RFD (Retd) (Resigned 31/12/15)
Mr B L Horan
COL C M Burns CSC
Mr L Eddy
Mr M von Berg MC OAM
Ms H K Adamson
WGCDR R A Macintosh AFC OAM (Retd)
LTCOL J Wilson (Retd) (Appointed 01/01/16)
Mr D J Everitt (Appointed 01/01/16)
Mr R J Kemp (Appointed 01/01/16)
Dr S L Mascall-Dare (Appointed 01/01/16)
Ms C Graham (Appointed 01/01/16)
LTCOL D McCammon (Appointed 01/01/16)*

DTF Audit and Risk Committee

Ms Nicolle Rantanen (Chair) (Appointed 21/6/16)*
Mr Andrew Blaskett (Resigned as Chair 21/6/16)*
Ms Tammie Pribanic*
Ms Kate Dooley*
Mr John Hill - Independent Member
Mr Anthony Steele (Resigned 21/6/16)*
Mr David Posaner (Resigned 21/6/16)*

CTP Insurance Market Reform Project Steering Committee

Mr Garry Goddard (Chair)*
Mr Paul Gelston (Appointed 29/3/16)*
Mr Chris Gray*
Mr Greg McCarthy*
Ms Julie Holmes (Resigned 1/3/16)*
Ms Linda Hart (Resigned 1/3/16)*
Mr Ian Davies (Resigned 15/03/16)

Notes to and forming part of the financial statements

23 Remuneration of board and committee members (continued)

* In accordance with the Department of Premier and Cabinet Circular Number 016, Government employees did not receive any remuneration for board/committee duties during the financial year.

^ BRIG L Lewis AM (Retd), LTCOL D McCammon were entitled to but elected not to receive remuneration for membership of the Veteran's Advisory Council.

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

	2016 Number	2015 Number
\$0 - \$9 999	19	20
\$10 000 - \$19 999	1	-
\$20 000 - \$29 999	2	4
\$30 000 - \$39 999	4	4
\$40 000 - \$49 999	4	1
Total number of members	30	29

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, fringe benefits, fringe benefits tax and any other salary sacrifice arrangements. The total remuneration received or receivable by members was **\$ 407 000** (\$322 000).

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

24 Cash flow reconciliation

	2016 \$'000	2015 \$'000
(a) Reconciliation of cash and cash equivalents at the end of the reporting period		
Statement of Cash Flows	10 331	9 683
Statement of Financial Position	10 331	9 683
(b) Reconciliation of net cash provided by (used in) operating activities to net cost of providing services		
Net cash provided by operating activities	17 558	1 280
Less revenues from SA Government	(76 424)	(59 117)
Add payments to SA Government	-	2 737
Add non cash items		
Depreciation and amortisation	(2 946)	(1 321)
Movements in assets / liabilities		
Increase/(decrease) in receivables	3 030	1 106
(Increase)/decrease in payables	1 586	791
(Increase)/decrease in employee benefits	(3 863)	(2 414)
(Increase)/decrease in provisions	108	226
(Increase)/decrease in other liabilities	-	140
Net cost of providing services	(60 951)	(56 572)

Notes to and forming part of the financial statements**25 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	
	Note	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Expenses							
Employee benefits expenses	5	3 263	3 016	60 642	52 694	63 905	55 710
Supplies and services	6						
Accommodation and telecommunication		5 612	4 959	129	86	5 741	5 045
Information technology charges		1 108	290	6 715	5 687	7 823	5 977
Minor works maintenance and equipment		436	262	239	176	675	438
Legal costs		1 777	1 694	1 915	1 152	3 692	2 846
Consultants		-	-	2 831	2 159	2 831	2 159
Contractors and temporary staff		-	-	6 561	3 124	6 561	3 124
Valuation fees		4 794	4 727	-	-	4 794	4 727
General administration and consumables		1 548	835	3 120	2 891	4 668	3 726
Corporate recharge expense		3 205	10 447	-	-	3 205	10 447
Other supplies and services		1 663	1 366	1 964	1 621	3 627	2 987
Depreciation and amortisation expense	7	-	-	2 946	1 321	2 946	1 321
Auditor's remuneration	8	465	572	-	-	465	572
Payments to SA Government	11	-	2 737	-	-	-	2 737
Total expenses		23 871	30 905	87 062	70 911	110 933	101 817
Income							
Revenues from fees and charges	9						
Fees for the provision of corporate services		293	384	-	-	293	384
South Australian Government Financing Authority		12 822	12 238	-	-	12 822	12 238
South Australian Superannuation Board		20 266	16 694	-	-	20 266	16 694
Community Emergency Services Fund		6 342	6 187	-	-	6 342	6 187
Land tax certificates		-	-	262	264	262	264
Regulatory fees		-	-	80	160	80	160
Service provision		888	3 051	-	-	888	3 051
Other recoveries		124	177	529	1 097	653	1 274
Other income	10						
Commissions		-	-	144	139	144	139
Banking recoveries		-	-	1 792	1 556	1 792	1 556
Other income		321	521	6 119	41	6 440	562
Revenues from SA Government	11	76 424	59 117	-	-	76 424	59 117
Total income		117 480	98 369	8 926	3 257	126 406	101 626

Notes to and forming part of the financial statements

25 Transactions with SA Government (continued)

		SA Government		Non-SA Government		Total	
	Note	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Financial assets							
Cash and cash equivalents	12	10 331	9 683	-	-	10 331	9 683
Receivables	13						
Receivables		693	122	62	423	755	545
Accrued revenues		4 816	2 055	960	17	5 776	2 072
Prepayments		-	-	885	1 006	885	1 006
Net GST receivable from the ATO		-	-	767	1 530	767	1 530
Total financial assets		15 840	11 860	2 674	2 976	18 514	14 836
Financial liabilities							
Payables	17						
Creditors and accrued expenses		2 423	3 404	2 321	2 354	4 744	5 758
Employment on-costs		1 211	1 006	1 284	1 025	2 495	2 031
Paid Parental Leave Scheme payable		-	-	5	24	5	24
Employee benefits	18						
Accrued salaries and wages		-	-	791	313	791	313
Annual leave		-	-	4 356	3 858	4 356	3 858
Long service leave		-	-	17 622	14 855	17 622	14 855
Skills and experience retention leave		-	-	396	276	396	276
Provisions	19						
Provision for workers' compensation		-	-	578	686	578	686
Total financial liabilities		3 634	4 410	27 353	23 391	30 987	27 801

Notes to and forming part of the financial statements

26 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 per cent of the original budgeted amount and 5 per cent of original budgeted total expenses.

		Original budget ¹	Actual	Variance	Variance explanation
		2016	2016	2016	
		\$'000	\$'000	\$'000	
Statement of Comprehensive Income	Note				
Expenses					
Employee benefits expenses	5	50 426	63 905	(13 479)	1
Supplies and services	6	44 700	44 082	618	
Depreciation and amortisation expense	7	3 194	2 946	248	
Other expenses		345	-	345	
Total expenses		98 665	110 933	(12 268)	
Income					
Revenues from fees and charges	9	41 452	41 606	(154)	
Other income	10	699	8 376	(7 677)	2
Total income		42 151	49 982	(7 831)	
Net cost of providing services		(56 514)	(60 951)	(4 437)	
Revenues from/payments to SA Government					
Revenues from SA Government	11	55 722	76 424	(20 702)	3
Total revenue from SA Government		55 722	76 424	(20 702)	
Net result		(792)	15 473	(16 265)	4

	Original budget	Actual	Variance	Variance explanation
	2016	2016	2016	
	\$'000	\$'000	\$'000	
Investing expenditure summary				
Total new projects	150	11 949	(11 799)	5
Total existing projects	100	3 864	(3 764)	
Total annual program	1 366	2 400	(1 034)	
Total investing expenditure	1 616	18 213	(16 597)	

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 the line items in the financial statements. However the amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes.

Notes to and forming part of the financial statements

26 Budgetary reporting and explanations of major variances between budget and actual amounts (continued)

Variance explanations

1 Employee benefits expenses

An additional \$13.479 million in Employee Benefits expense is primarily due to budget adjustments for specific projects and initiatives of the Department that were processed after the original budget was published. These adjustments are reflected in the Department's revised budget for 2015-16. This included \$4.653 million for the return of ICT Services from the Department of the Premier and Cabinet to the Department of Treasury and Finance, in conjunction with additional budget for the Compulsory Third Party Insurance Market Reform project (\$2.586 million), Commercial Projects Group (\$1.146 million) and the Revenue SA Information On-line system (\$0.681 million).

2 Other income

An additional \$7.677 million in other income was received in 2015-16 over the original budget primarily relating to the once-off contribution from the Commonwealth Government of \$5.0 million and \$0.5 million from the Adelaide City Council representing their contribution to funding the ANZAC Memorial Garden Walk project.

3 Revenue from SA Government

An additional \$20.702 million in Revenue from SA Government was received in 2015-16 over the original budget to fund specific projects and initiatives of the Department as well as wages parity supplementation. Projects and initiatives included the CTP Insurance Market Reform project, divestment of commercial properties, Land Services Group project and the ANZAC Memorial Garden Walk project.

4 Net result

The Department's actual net result against the original budget improved by \$16.265 million. This is primarily due to the additional revenue received in the operating statement to fund the Department's capital program in 2015-16.

5 Investing expenditure

The Department received additional funding over the original budget during 2015-16. The total revised investing budget was \$19.710 million. Additional investing budget received during 2015-16 included funding for the ANZAC Memorial Garden Walk (\$9.5 million), Super SA ICT System Solution (\$3.729 million) and the Revenue SA Information On-line system (\$3.387 million).

27 Financial instruments/financial risk management

27.1 Financial risk management

Risk management is managed by the Department's Audit and Risk Committee and departmental 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 Department is exposed to financial risk - credit risk, liquidity risk and market risk. There have been no changes in risk exposure since the last reporting period.

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, financial liability and equity instrument are disclosed in note 2 Summary of Significant Accounting Policies.

Notes to and forming part of the financial statements

27 Financial instruments/financial risk management (continued)

2016

Category of financial asset and financial liability	Statement of Financial Position line item	Note	Carrying amount	Fair value
			2016 \$'000	2016 \$'000
Financial assets				
Cash and cash equivalents	Cash and cash equivalents	12, 24	10 331	10 331
Receivables ⁽¹⁾⁽²⁾	Receivables	13	748	748
	Total financial assets		11 079	11 079
Financial liabilities				
Financial liabilities at cost ⁽¹⁾	Payables	17	4 076	4 076
	Total financial liabilities		4 076	4 076

2015

Category of financial asset and financial liability	Statement of Financial Position line item	Note	Carrying amount	Fair value
			2015 \$'000	2015 \$'000
Financial assets				
Cash and cash equivalents	Cash and cash equivalents	12, 24	9 683	9 683
Receivables ⁽¹⁾⁽²⁾	Receivables	13	526	526
	Total financial assets		10 209	10 209
Financial liabilities				
Financial liabilities at cost ⁽¹⁾	Payables	17	5 211	5 211
	Total financial liabilities		5 211	5 211

⁽¹⁾ Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. All amounts recorded are carried at cost (not materially different from amortised cost).

⁽²⁾ Excludes prepayments which do not meet the definition of a financial asset as per AASB 132.

Fair value

The Department 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 value due to the short term nature of these. Refer to notes 13 and 17.

Credit risk

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

The Department has minimal concentration of credit risk. The Department does not engage in hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit ratings. The Department does not hold any collateral as security on any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer to note 13 for information on the allowance for impairment in relation to receivables.

Notes to and forming part of the financial statements

27 Financial instruments/financial risk management (continued)

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

27.3 Ageing analysis of financial assets

	Past due by			Total \$'000
	Overdue for < 30 days \$'000	Overdue for 30 – 60 days \$'000	Overdue for > 60 days \$'000	
2016				
Not impaired				
Receivables ⁽¹⁾	4	8	8	20
Impaired				
Receivables ⁽¹⁾	-	-	-	-
Total	4	8	8	20
2015				
Not impaired				
Receivables ⁽¹⁾	-	-	-	-
Impaired				
Receivables ⁽¹⁾	-	-	-	-
Total	-	-	-	-

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

Liquidity risk

Liquidity risk arises from the possibility that the Department is unable to meet its financial obligations as they fall due. The Department is funded principally from appropriation by the SA Government. The Department determines the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in Table 27.4 represents the Department's maximum exposure to liquidity risk.

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

Notes to and forming part of the financial statements

27 Financial instruments/financial risk management (continued)**27.4 Maturity analysis of financial assets and liabilities**

	Carrying amount \$'000	Contractual Maturities		
		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000
2016				
Financial assets				
Cash and cash equivalents	10 331	10 331	-	-
Receivables	748	748	-	-
Total financial assets	11 079	11 079	-	-

Financial liabilities				
Payables	4 076	4 076	-	-
Total financial liabilities	4 076	4 076	-	-

	Carrying amount \$'000	Contractual Maturities		
		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000
2015				
Financial assets				
Cash and cash equivalents	9 683	9 683	-	-
Receivables	526	526	-	-
Total financial assets	10 209	10 209	-	-

Financial liabilities				
Payables	5 211	5 211	-	-
Total financial liabilities	5 211	5 211	-	-

Market risk

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities. The Department's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

The Department does not trade in foreign currency, enter into transactions for speculative purposes, nor for hedging. The Department 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 Department as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

28 Transferred functions

There were no restructures during 2015-16.

29 Events after the end of the reporting period

On the 7th July 2016 the Treasurer announced in the 2016-17 State Budget that The Office of the Valuer-General will transfer to the Department of Treasury and Finance from the Department of Planning, Transport and Infrastructure.

Department of Treasury and Finance
Statement of Administered Comprehensive Income
for the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Expenses			
Employee benefits expenses	31	431 325	432 566
Supplies and services	32	55 341	58 393
Borrowing costs	33	275 292	340 584
Grants, subsidies and transfers	34	2 641 907	2 310 737
Depreciation and amortisation expenses	35	131	240
Other expenses	36	96 232	92 125
Payments to SA Government	41	10 392 611	12 450 563
Total expenses		13 892 839	15 685 208
Income			
Taxation	37	3 691 691	3 903 756
Commonwealth revenues	38	7 650 542	6 934 948
Dividends	39	288 612	214 393
Interest	40	77 191	83 350
Revenues from SA Government	41	1 649 099	1 448 223
Grants and contributions	42	84 617	72 493
Revenues from fees and charges	43	124 455	104 600
Other revenues	44	370 774	2 917 426
Total Income		13 936 981	15 679 189
Net result		44 142	(6 019)
Net result and total comprehensive result		44 142	(6 019)

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.

Department of Treasury and Finance
Statement of Administered Financial Position
for the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	45	1 353 109	1 112 174
Receivables	46	8 245	6 128
Other financial assets	47	4 000	735
Non-current assets held for sale	48	557	557
Total current assets		1 365 911	1 119 594
Non-current assets			
Receivables	46	6	10
Other financial assets	47	1 733	-
Property, plant and equipment	49	1 224	1 135
Intangible assets	50	325	325
Total non-current assets		3 288	1 470
Total assets		1 369 199	1 121 064
Current liabilities			
Payables	52	1 042 898	824 284
Employee benefits	53	1 494	1 204
Provisions	54	159	74
Other liabilities	55	8 225	25
Total current liabilities		1 052 776	825 587
Non-current liabilities			
Payables	52	38 379	62 059
Employee benefits	53	1 205	788
Provisions	54	344	252
Other liabilities	55	655	680
Total non-current liabilities		40 583	63 779
Total liabilities		1 093 359	889 366
Net assets		275 840	231 698
Equity			
Accumulated Surplus		275 205	231 063
Asset revaluation surplus		635	635
Total equity	56	275 840	231 698

The total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	57
Contingent liabilities	58

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

Department of Treasury and Finance
Statement of Administered Changes in Equity
for the year ended 30 June 2016

	Note	Asset Revaluation Surplus \$'000	Accumulated Surplus/ (Deficit) \$'000	Total equity \$'000
Balance at 30 June 2014		635	237 082	237 717
Total comprehensive result for 2014-15		-	(6 019)	(6 019)
Balance at 30 June 2015	56	635	231 063	231 698
Total comprehensive result for 2015-16		-	44 142	44 142
Balance at 30 June 2016	56	635	275 205	275 840

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

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

Department of Treasury and Finance
Statement of Administered Cash Flows
for the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Cash inflows			
Taxation received		3 691 691	3 903 756
Receipts from Commonwealth		7 650 542	6 934 948
Dividends		265 962	209 052
Interest received		77 191	83 350
Receipts from SA Government		1 649 099	1 448 223
Grants and contributions		84 617	72 493
Fees and charges		122 709	110 412
GST recovered from Australian Taxation Office		764	1 706
Receipts for Paid Parental Leave Scheme		26	-
Other receipts		368 462	2 903 401
Cash generated from operations		13 911 063	15 667 341
Cash outflows			
Payments to SA Government		(10 170 193)	(12 942 656)
Employee benefit payments		(430 378)	(432 555)
Payments for supplies and services		(46 786)	(65 773)
Interest payments		(275 292)	(340 584)
Grants, subsidies and transfers		(2 648 460)	(2 318 178)
Payments for Paid Parental Leave Scheme		(22)	(2)
Other payments		(93 661)	(78 148)
Cash used in operations		(13 664 792)	(16 177 896)
Net cash provided by operating activities	59b	246 271	(510 555)
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(220)	(74)
Cash used in investing activities		(220)	(74)
Net cash used in investing activities		(220)	(74)
Cash flows from financing activities			
Cash inflows			
Proceeds from other financial assets		354	293
Cash generated from financing activities		354	293
Cash outflows			
Other financial assets granted		(5 470)	(43)
Cash used in financing activities		(5 470)	(43)
Net cash provided by (used in) financing activities		(5 116)	250
Net increase (decrease) in cash and cash equivalents		240 935	(510 379)
Cash and cash equivalents at the beginning of the period		1 112 174	1 622 553
Cash and cash equivalents at the end of the period	59a	1 353 109	1 112 174

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

Department of Treasury and Finance
Disaggregated Disclosures - Administered Expenses and Income
for the year ended 30 June 2016

	Administered Items on behalf of the Consolidated Account		Commonwealth Mirror Taxes on Commonwealth Places Revenue Account		Community Development Fund	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Expenses						
Employee benefits expenses	337	308	-	-	-	-
Supplies and services	-	-	-	-	-	-
Borrowing costs	-	-	-	-	-	-
Grants, subsidies and transfers	36 943	43 303	-	-	20 000	20 000
Depreciation and amortisation expenses	-	-	-	-	-	-
Other expenses	-	7	25 136	24 752	-	-
Payments to SA Government	10 105 334	12 202 599	-	-	-	-
Total administered expenses	10 142 614	12 246 217	25 136	24 752	20 000	20 000
Income						
Taxation	3 346 318	3 574 063	-	-	-	-
Commonwealth revenues	5 950 172	5 334 062	25 136	24 752	-	-
Dividends	265 963	209 052	-	-	-	-
Interest revenues	75 863	81 755	-	-	-	-
Revenues from SA Government	35 518	40 940	-	-	-	-
Grants and contributions	-	-	-	-	20 000	20 000
Revenues from fees and charges	124 011	104 160	-	-	-	-
Other revenues	344 769	2 902 185	-	-	-	-
Total administered income	10 142 614	12 246 217	25 136	24 752	20 000	20 000
Net result	-	-	-	-	-	-

Department of Treasury and Finance
Disaggregated Disclosures - Administered Expenses and Income
for the year ended 30 June 2016

	Community Emergency Services Fund		Country Equalisation Scheme Account		ETSA Sales/Lease Proceeds Account	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses						
Employee benefits expenses	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-
Borrowing costs	-	-	-	-	-	-
Grants, subsidies and transfers	232 308	216 845	-	-	-	-
Depreciation and amortisation expenses	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-
Total administered expenses	232 308	216 845	-	-	-	-
Income						
Taxation	196 971	190 499	-	-	-	-
Commonwealth revenues	-	-	-	-	-	-
Dividends	-	-	-	-	22 649	5 341
Interest revenues	121	115	319	390	-	-
Revenues from SA Government	-	-	-	-	-	-
Grants and contributions	34 139	26 494	-	-	-	-
Revenue from fees and charges	442	437	-	-	-	-
Other revenues	-	-	-	-	-	-
Total administered income	231 673	217 545	319	390	22 649	5 341
Net result	(635)	700	319	390	22 649	5 341

Department of Treasury and Finance
Disaggregated Disclosures - Administered Expenses and Income
for the year ended 30 June 2016

	Hospitals Fund		Housing Loans Redemption Fund		Intergovernmental Agreement on Federal Financial Relations	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses						
Employee benefits expenses	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-
Borrowing costs	-	-	-	-	-	-
Grants, subsidies and transfers	-	-	-	-	1 697 758	1 606 344
Depreciation and amortisation expenses	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Payments to SA Government	146 639	137 541	-	-	-	-
Total administered expenses	146 639	137 541	-	-	1 697 758	1 606 344
Income						
Taxation	146 639	137 541	-	-	-	-
Commonwealth revenues	-	-	-	-	1 675 234	1 576 134
Dividends	-	-	-	-	-	-
Interest revenues	-	-	244	286	-	-
Revenues from SA Government	-	-	-	-	-	-
Grants and contributions	-	-	-	-	-	-
Revenue from fees and charges	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-
Total administered income	146 639	137 541	244	286	1 675 234	1 576 134
Net result	-	-	244	286	(22 524)	(30 210)

Department of Treasury and Finance
Disaggregated Disclosures - Administered Expenses and Income
for the year ended 30 June 2016

	Industry Financial Assistance Account (IFAA)		Local Government Concessions Senior Card Holders		Local Government Disaster Fund	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Expenses						
Employee benefits expenses	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-
Borrowing costs	-	-	-	-	-	-
Grants, subsidies and transfers	(5 805)	10 101	-	-	64	2 997
Depreciation and amortisation expenses	-	-	-	-	-	-
Other expenses	2 429	13 977	-	-	-	-
Payments to SA Government	-	-	-	1 966	-	-
Total administered expenses	(3 376)	24 078	-	1 966	64	2 997
Income						
Taxation	-	-	-	-	-	-
Commonwealth revenues	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Interest revenues	39	63	-	-	547	672
Revenues from SA Government	-	-	-	-	-	-
Grants and contributions	7 515	2 719	-	-	-	-
Revenue from fees and charges	-	-	-	-	-	-
Other revenues	2 312	13 732	-	-	-	-
Total administered income	9 866	16 514	-	-	547	672
Net result	13 242	(7 564)	-	(1 966)	483	(2 325)

Department of Treasury and Finance
Disaggregated Disclosures - Administered Expenses and Income
for the year ended 30 June 2016

	Local Government Taxation Equivalents Fund		Support Services to Parliamentarians		Treasury and Finance Administered Items Account	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Expenses						
Employee benefits expenses	-	-	17 188	15 658	413 800	416 600
Supplies and services	-	-	6 013	6 479	48 888	51 879
Borrowing costs	-	-	-	-	275 292	340 584
Grants, subsidies and transfers	2 130	1 650	1	2	658 508	409 495
Depreciation and amortisation expenses	-	-	100	209	-	-
Other expenses	-	-	1	-	56 911	52 258
Payments to SA Government	-	-	-	-	140 638	108 457
Total administered expenses	2 130	1 650	23 303	22 348	1 594 037	1 379 273
Income						
Taxation	1 763	1 653	-	-	-	-
Commonwealth revenues	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Interest revenues	6	10	-	-	-	-
Revenues from SA Government	-	-	-	-	1 613 581	1 406 543
Grants and contributions	-	-	22 963	23 280	-	-
Revenue from fees and charges	-	-	2	3	-	-
Other revenues	357	-	8	12	73	342
Total administered income	2 126	1 663	22 973	23 295	1 613 654	1 406 885
Net result	(4)	13	(330)	947	19 617	27 612

Department of Treasury and Finance
Disaggregated Disclosures - Administered Expenses and Income
for the year ended 30 June 2016

	Treasurer's Interest in the National Wine Centre Account		Treasury Working Account		Treasury Asset Management Account	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Expenses						
Employee benefits expenses	-	-	-	-	-	-
Supplies and services	434	28	-	-	6	7
Borrowing costs	-	-	-	-	-	-
Grants, subsidies and transfers	-	-	-	-	-	-
Depreciation and amortisation expenses	31	31	-	-	-	-
Other expenses	-	-	11 755	1 131	-	-
Payments to SA Government	-	-	-	-	-	-
Total administered expenses	465	59	11 755	1 131	6	7
Income						
Taxation	-	-	-	-	-	-
Commonwealth revenues	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Interest revenues	-	-	-	-	52	59
Revenues from SA Government	-	740	-	-	-	-
Grants and contributions	-	-	-	-	-	-
Revenue from fees and charges	-	-	-	-	-	-
Other revenues	25	26	11 755	1 127	1	2
Total administered income	25	766	11 755	1 127	53	61
Net result	(440)	707	-	(4)	47	54

Department of Treasury and Finance
Disaggregated Disclosures - Administered Expenses and Income
for the year ended 30 June 2016

	CIMR Transitional Arrangement Accounts				Total
	2016	2015	2016	2015	
	\$'000	\$'000	\$'000	\$'000	
Expenses					
Employee benefits expenses	-	-	431 325	432 566	
Supplies and services	-	-	55 341	58 393	
Borrowing costs	-	-	275 292	340 584	
Grants, subsidies and transfers	-	-	2 641 907	2 310 737	
Depreciation and amortisation expenses	-	-	131	240	
Other expenses	-	-	96 232	92 125	
Payments to SA Government	-	-	10 392 611	12 450 563	
Total administered expenses	-	-	13 892 839	15 685 208	
Income					
Taxation	-	-	3 691 691	3 903 756	
Commonwealth revenues	-	-	7 650 542	6 934 948	
Dividends	-	-	288 612	214 393	
Interest revenues	-	-	77 191	83 350	
Revenues from SA Government	-	-	1 649 099	1 448 223	
Grants and contributions	-	-	84 617	72 493	
Revenue from fees and charges	-	-	124 455	104 600	
Other revenues	11 475	-	370 774	2 917 426	
Total administered income	11 475	-	13 936 981	15 679 189	
Net result	11 475	-	44 142	(6 019)	

Department of Treasury and Finance
Notes to and forming part of the Administered financial statements
for the year ended 30 June 2016

30 Overview of Administered Financial Statements including Summary of Significant Accounting Policies

The Administered financial statements include the revenues, expenses, assets and liabilities which the Department administers on behalf of the SA Government but does not control. All the transactions for the special deposit accounts established under Section 8 of the *Public Finance and Audit Act 1987* and deposit accounts established under Section 21 of the *Public Finance and Audit Act 1987* that are administered by the Department are listed below:

Activity 1: Administered Items on behalf of the Consolidated Account

The purpose of the account is to record a number of revenue and expense transactions on behalf of the South Australian Government for the Consolidated Account. Such transactions include the collection of revenues from taxation, revenues from the Commonwealth Government, dividends and interest. The expense transactions include transfers to agencies for employee entitlements and supplies and services; grants and subsidies to public sector agencies, the private sector and the community; and the transfer of revenues to the Consolidated Account. The associated Statement of Financial Position items for the Consolidated Account such as loans and borrowings are recognised in the whole-of-government general purpose financial report.

Activity 2: Commonwealth Mirror Taxes on Commonwealth Places Revenue Account

The purpose of the account is to receive amounts that are levied pursuant to the *Commonwealth Places (Mirror Taxes) Act 1998* of the Commonwealth as contemplated by the arrangements entered into by the State and the Commonwealth pursuant to that Act and to the *Commonwealth Places (Mirror Taxes Administration) Act 1999* of the State, and to deal with those as contemplated by those Acts and arrangements.

Activity 3: Community Development Fund

The purpose of the fund is to administer annual payments under the *Gaming Machines Act 1992*. Payments are made in accordance with the directions of the Governor towards financial assistance for non-government welfare agencies, financial assistance for community development and the provision of government health, welfare or education services, as well as towards programs of benefit to the live music industry.

Activity 4: Community Emergency Services Fund

The purpose of the fund is to record all fixed property revenue from the Emergency Services Levy collected by RevenueSA and transferred to the community emergency services fund administered by the South Australian Fire and Emergency Services Commission.

Activity 5: Country Equalisation Scheme Account

The purpose of the account is to record injections of funds provided from the Consolidated Account, and to make 'refund payments' to electricity retailers in accordance with the Country Equalisation Scheme.

Activity 6: ETSA Sales/Lease Proceeds Account

The purpose of the account is to receive proceeds of a sale/lease agreement, sale or lease under the *Electricity Corporations (Restructuring and Disposal) Act 1999* and other funds as approved by the Treasurer.

Activity 7: Hospitals Fund

The purpose of the fund is to record and transfer monies received from SA Lotteries Commission operations and stamp duty on insurance policies relating to motor vehicles to the Consolidated Account to be used for the provision, maintenance, development and improvement of public hospitals.

Activity 8: Housing Loans Redemption Fund

The purpose of the fund is to record interest received payments.

Activity 9: Intergovernmental Agreement on Federal Financial Relations

The purpose of the account is to receive monies from the Commonwealth Government and disburse the monies to agencies pursuant to the Intergovernmental Agreement on Federal Financial Relations for the National Specific Purpose Program (SPP) purposes listed in Schedule F of that Agreement and for the National Partnership Payments (NPP) for the purposes listed in Schedule G of that Agreement.

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Activity 10: Industry Financial Assistance Account (IFAA)

The account was established to assist with the accounting for the industry assistance contracts written in the name of the Treasurer. SAFA is responsible for administering the IFAA on behalf of the Treasurer.

Activity 11: Local Government Concessions Senior Card Holders

The purpose of the account is to administer receipts and payments for Local Government Concessions - Seniors Cardholders.

Activity 12: Local Government Disaster Fund

The purpose of the fund is to record the cost of providing assistance to local authorities which face unusually high expenditures as a result of natural disasters. Assistance may be of an investigative, preventative, remedial, insurance, compensatory or other nature and may include funding of insurance or other commercial schemes.

Activity 13: Local Government Taxation Equivalents Fund

The account was established to record receipts of tax equivalents from the Local Government Finance Authority and payments to the Local Government Association of South Australia as stipulated under the *Local Government Finance Authority Act 1983*.

*Activity 14: Market Projects Unit**

The purpose of the account is to receive deposits from the sale of government assets.

Activity 15: Support Services to Parliamentarians

The purpose of the account is to record the financial transactions related to the administration of Support Services to Parliamentarians.

*Activity 16: Minister for Finance - Super SA Select**

The purpose of the account is to administer receipts and payments for the Commonwealth Low Income Superannuation Contribution.

Activity 17: Treasury and Finance Administered Items Account

The purpose of the account is to receive administered items appropriation for the Department pursuant to the annual Appropriation Act and to disburse the associated payments.

Activity 18: Treasurer's Interest in the National Wine Centre Account

The purpose of account is to record all of the financial transactions associated with the management of the *National Wine Centre (Restructuring and Leasing Arrangements) Act 2002* including injections of funds from the Consolidated Account.

Activity 19: Treasury Working Account

The purpose of the account is to record receipts and payments for small lotteries, receipts and payments arising from various superannuation arrangements, interest receipts and payments, to effect accounting adjustments and transfers and to hold amounts in suspense pending determination of appropriate treatment. This account is also used to process certain transactions of a whole of government nature or relating to the activities of the Treasurer.

Activity 20: Treasury Asset Management Account

The purpose of the account is to manage and administer the unclaimed customer deposits of the former State Bank of South Australia as well as other residual activities (dividends receipts).

Activity 21: CIMR Transitional Arrangement Accounts

The purpose of the accounts is to record all transitional activities associated with the Compulsory Third party Insurance Market Reforms (CIMR), including the receipt of premiums from the advanced renewal of CTP Policies on behalf of the 4 new private insurers who will enter the South Australian CTP Market from 1 July 2016. The insurers are not contractually entitled to receive the monies as at 30 June 2016.

* Deposit account and special deposit accounts with no transactions in the Statement of Comprehensive Income are not included in the disaggregated disclosure schedule.

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30.1 Summary of Significant Accounting Policies

The Department's significant accounting policies are contained in note 2 'Summary of Significant Accounting Policies'.
The policies outlined in note 2 apply to both the Department and Administered financial statements.

Department of Treasury and Finance
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for the year ended 30 June 2016

31 Employee benefit expenses

	2016	2015
	\$'000	\$'000
Superannuation contributions to various schemes*	413 800	416 600
Salaries and wages	13 021	12 453
Long service leave	569	271
Annual leave	1 026	881
Skills and experience retention leave	12	9
Employment on-costs - superannuation	1 364	1 272
Employment on-costs - other	794	739
Minister's salary, electorate and expense allowance	337	308
Other employee related expenses	402	33
Total employee benefits expenses	431 325	432 566

*These payments were made to support funding of the defined benefit superannuation liability for the Police Superannuation Scheme and the South Australia Superannuation Fund as part of the government's commitment to have all superannuation liabilities fully funded by 2034.

Remuneration of employees

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

	2016	2015
	Number of Employees	Number of Employees
\$145 001 to \$155 000	1	-
\$155 001 to \$165 000	-	1
\$175 001 to \$185 000	1	-
\$405 001 to \$415 000	1	1
Total number of employees	3	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, payment in lieu of leave, superannuation contributions, fringe benefits, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was **\$738 000** (\$576 000).

Department of Treasury and Finance
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32 Supplies and services

	2016	2015
	\$'000	\$'000
State's share of GST administration	47 850	48 622
Unclaimed monies	1 036	3 256
Accommodation and telecommunication	3 122	2 845
Information technology expenses	205	218
Minor works, maintenance and equipment	820	476
Legal costs	5	-
Consultants	-	36
Contractors and temporary staff	1	-
General administration and consumables	2 038	2 707
Other	264	233
Total supplies and services expense	55 341	58 393

The total supplies and services amount disclosed includes GST amounts not-recoverable from the Australian Taxation Office due to the Department not holding a valid tax invoice for payment.

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

	2016	2015	2016	2015
	Number	Number	\$'000	\$'000
Below \$10,000	-	2	-	3
Above \$10,000	-	1	-	33
Total paid/payable to the consultants engaged	-	3	-	36

33 Borrowing costs

	2016	2015
	\$'000	\$'000
Interest on borrowings	249 717	312 373
Interest paid on deposit accounts and other monies	25 575	28 211
Total borrowing costs	275 292	340 584

The Department pays interest on borrowings on behalf of the Treasurer but the debt is not recorded in the Statement of Administered Financial Position. It is disclosed in Statement J of the Treasurer's Statements as well as the Consolidated Financial report for government.

34 Grants, subsidies and transfers

	2016	2015
	\$'000	\$'000
Recurrent grants, subsidies and transfers	2 278 831	2 156 736
Capital grants, subsidies and transfers	363 076	154 001
Total grants, subsidies and transfers	2 641 907	2 310 737

Department of Treasury and Finance
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35 Depreciation and amortisation expense

	2016	2015
	\$'000	\$'000
Depreciation		
Buildings	31	31
Total depreciation	31	31
Amortisation		
Building fit-outs	100	209
Total amortisation	100	209
Total depreciation and amortisation expense	131	240

36 Other expenses

	2016	2015
	\$'000	\$'000
Refunds and remissions	52 784	43 836
Payments to Commonwealth Government	25 136	24 752
Bad debts	141	3 340
Doubtful debts	(82)	(1 570)
Repayment of borrowings	3 930	3 720
Loans forgiven	2 371	12 207
Other	11 952	5 840
Total other expenses	96 232	92 125

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37 Taxation

	2016	2015
	\$'000	\$'000
Stamp duties	1 559 477	1 564 096
Commonwealth Places Mirror - stamp duties	284	283
Payroll tax	1 340 958	1 319 789
Commonwealth Places Mirror - payroll tax	23 442	23 095
Land tax	351 338	567 277
Commonwealth Places Mirror - land tax	1 409	1 373
Emergency Services levy	196 971	190 499
Local Government rate equivalents	235	4 523
Income tax equivalents	119 181	138 937
Contributions from Lotteries Commission of South Australia	78 178	74 565
Hindmarsh Island Bridge levy	25	140
Casino Duty	20 193	19 179
Total taxation	3 691 691	3 903 756

38 Commonwealth revenues

	2016	2015
	\$'000	\$'000
Commonwealth general purpose grants		
GST revenue grants	5 613 934	5 020 023
Commonwealth Places Mirror taxes	25 136	24 752
Total Commonwealth general purpose grants	5 639 070	5 044 775
Commonwealth specific purpose grants		
Council of Australian Governments Funding arrangements	336 238	314 039
Intergovernmental Agreement on Federal Financial Relations - Recurrent	1 476 911	1 464 115
Intergovernmental Agreement on Federal Financial Relations - Capital	198 323	112 005
First Home Owners Boost	-	14
Total Commonwealth specific purpose grants	2 011 472	1 890 173
Total Commonwealth revenues	7 650 542	6 934 948

39 Dividends

	2016	2015
	\$'000	\$'000
Adelaide Venue Management	1 583	5 920
Generation Lessor Corporation	22 649	5 341
Homestart Finance	11 466	7 137
Urban Renewal Authority	7 199	-
Public Trustee Office	227	1 440
SA Water Corporation	204 918	183 979
South Australian Government Employee Residential Property	1 706	1 706
South Australian Government Financing Authority	38 864	8 870
Total dividends	288 612	214 393

Department of Treasury and Finance
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40 Interest revenues

	2016	2015
	\$'000	\$'000
Interest	77 191	83 350
Total interest revenues	77 191	83 350

41 Revenues from/Payments to SA Government

	2016	2015
	\$'000	\$'000
Revenues from SA Government		
Appropriations from the Consolidated Account pursuant to the <i>Appropriation Act</i>	1 613 581	1 406 543
Appropriations under other acts	35 518	40 940
Other revenue from SA Government	-	740
Total revenues from SA Government	1 649 099	1 448 223
Payments to SA Government		
Transfer of revenue received on behalf of the Consolidated Account	10 105 334	12 202 599
Other payments to the Consolidated Account	146 639	139 507
Return of surplus cash pursuant to Cash Alignment Policy	140 638	108 457
Total payments to SA Government	10 392 611	12 450 563

42 Grants and contributions

	2016	2015
	\$'000	\$'000
Grants and contributions	84 617	72 493
Total Grants and contributions	84 617	72 493

43 Revenues from fees and charges

	2016	2015
	\$'000	\$'000
Guarantee fees	124 011	104 160
Support Services to Parliamentarians	2	2
Other recoveries	442	438
Total revenue from fees and charges	124 455	104 600

Department of Treasury and Finance
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44 Other revenues

	2016	2015
	\$'000	\$'000
Discounted cash flow valuations for financial assistance loans	2 312	13 732
Repayment of advances	8 038	7 463
Return of cash to Consolidated Account - cash alignment policy	291 790	147 168
Return of capital	15 610	145
Return of deposit account balances	544	1 966
Essential Services Commission of SA	7 529	7 650
Support Services to Parliamentarians	364	12
Return of capital - SA Water debt restructure	-	2 700 000
Recoveries DPTI - Indentured Ports	11 793	26 059
Advanced CTP Premiums Collected	11 475	-
Other income	21 319	13 231
Total other revenue	370 774	2 917 426

45 Cash and cash equivalents

	2016	2015
	\$'000	\$'000
Deposits with the Treasurer	1 298 430	1 054 721
Promissory notes	23 304	24 829
DTF Loans Administration Account	31 375	32 624
Total cash and cash equivalents	1 353 109	1 112 174

Promissory notes

The Treasurer holds Promissory notes on behalf of the Local Government Disaster Fund where the cash balance of the fund is not immediately required to fund Local Government costs relating to disasters it is invested with the Local Government Finance Authority of South Australia for periods of three months. Promissory notes earn interest at their respective promissory note rates.

Interest rate risk

Some deposit accounts 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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46 Receivables

	2016	2015
	\$'000	\$'000
Current		
Receivables	1 235	1 331
Allowance for doubtful debts	(1 235)	(1 317)
Accrued revenues	8 957	6 030
GST input tax recoverable	(712)	84
Total current receivables	8 245	6 128
Non-current		
Receivables	6	10
Total non-current receivables	6	10
Total receivables	8 251	6 138

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.

The following table shows the movements in the allowance for doubtful debts (impairment loss):

	2016	2015
	\$'000	\$'000
Carrying amount at the beginning of the period	1 317	2 487
Movement in the allowance	(82)	(1 170)
Carrying amount at the end of the period	1 235	1 317

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.

Other than recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand.

There is no concentration of credit risk.

Ageing analysis of financial assets - refer to table 62.3 in note 62.

Financial risk management/Financial instruments information - refer to note 62.

Department of Treasury and Finance
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47 Other financial assets

	2016 \$'000	2015 \$'000
Current		
Loans for financial assistance	4 000	735
Total current other financial assets	4 000	735
Non Current		
Loans for financial assistance	1 733	-
Total non-current other financial assets	1 733	-
Total other financial assets	5 733	735

Movement in the provision for doubtful debts

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

The following table shows the movements in the provision for doubtful debts (impairment loss):

	2016 \$'000	2015 \$'000
Carrying amount at the beginning of the period	-	400
Movement in the provision	-	(400)
Carrying amount at the end of the period	-	-

Ageing analysis of financial assets and liabilities - refer to table 62.3 in note 62.

Financial risk management/Financial instruments information - refer to note 62.

48 Non-current assets held for sale

	2016 \$'000	2015 \$'000
Land	145	145
Building and improvements	412	412
Total assets held for sale	557	557

Department of Treasury and Finance
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49 Property, plant and equipment

	2016 \$'000	2015 \$'000
Buildings		
At valuation	972	972
Accumulated depreciation	(94)	(63)
Total buildings	878	909
Building fitouts		
At cost	1 873	1 731
Accumulated amortisation	(1 686)	(1 588)
Total building fitouts	187	143
Land		
At valuation	58	58
Total land	58	58
Work in progress		
At cost	101	25
Total work in progress	101	25
Total property, plant and equipment	1 224	1 135

Valuation of Non-Current Assets

A valuation of the land and buildings for the National Wine Centre was performed by Mr Fred Taormina, B.App.Sc. (Val.) A.A.P.I. of VALCORP as at 30 June 2013. The revaluation involved discounting to net present value of the National Wine Centre land and buildings at the termination of the 40 year lease arrangement with Adelaide University. A revaluation surplus of \$635 000 is held for the revalued land and building. The next revaluation is scheduled for 30 June 2019.

Impairment

There were no indications of impairment for property, plant and equipment as at 30 June 2016.

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49 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:

	Land \$'000	Buildings \$'000	Building fitouts \$'000	Work in progress \$'000	Total \$'000
Carrying amount at the beginning of the period	58	909	143	25	1 135
Addition	-	-	-	220	220
Transfers in/out of WIP	-	-	144	(144)	-
Depreciation and amortisation expense	-	(31)	(100)	-	(131)
Carrying amount at the end of the period	58	878	187	101	1 224

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

	Land \$'000	Buildings \$'000	Building fitouts \$'000	Work in progress \$'000	Total \$'000
Carrying amount at the beginning of the period	58	940	303	-	1 301
Additions	-	-	49	25	74
Depreciation and amortisation expense	-	(31)	(209)	-	(240)
Carrying amount at the end of the period	58	909	143	25	1 135

50 Intangible assets

	2016 \$'000	2015 \$'000
Water licences		
At cost	325	325
Total water licences	325	325
Total Intangible assets	325	325

Water licences transferred to the Treasurer as part of the forward sale of the State's Green Triangle Forest Plantations in 2012. These water licences were retained by the Treasurer after finalising the lease arrangements with OneFortyOne Plantations Pty Ltd.

Reconciliation of Intangible Assets

There has been no movement in Intangibles.

Impairment

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

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51 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 a three-tier hierarchy based on the level of inputs used in measurement as follows:

	Level 3	2016
	\$'000	\$'000
Recurring fair value measurements 30 June 2016		
Buildings (note 49)	878	878
Building fitouts (note 49)	187	187
Land (note 49)	58	58
Total recurring fair value measurements	1 123	1 123
Non- recurring fair value measurements		
Buildings held for sale (note 48)	412	412
Land held for sale (note 48)	145	145
Total non-recurring fair value measurements	557	557
Total	1 680	1 680
	Level 3	2015
	\$'000	\$'000
Recurring fair value measurements 30 June 2015		
Buildings (note 49)	909	909
Building fitouts (note 49)	143	143
Land (note 49)	58	58
Total recurring fair value measurements	1 110	1 110
Non- recurring fair value measurements		
Buildings held for sale (note 48)	412	412
Land held for sale (note 48)	145	145
Total non-recurring fair value measurements	557	557
Total	1 667	1 667

There were no transfers of assets into or out of the level 3 hierarchy in 2016. The Department's policy is to recognise transfers into or out of fair value hierarchy levels as at the end of reporting period.

Valuation techniques and inputs

All property, plant and equipment is recognised at cost less accumulated depreciation.

In accordance with APF III 'Asset Accounting Framework', property, plant and equipment is only revalued when its fair value at acquisition date exceeds \$1 million and its estimated useful life is greater than 3 years. The Department does not control any assets that meet this threshold.

Estimates of residual value and useful life used to calculate accumulated depreciation are not based on observable market data. For this reason all property, plant and equipment is categorised into level 3.

There were no changes in valuation techniques during 2016.

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51 Fair value measurement (continued)

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

Fair value measurements at 30 June 2016	Buildings	Building Fitouts	Land
2016	\$'000	\$'000	\$'000
Opening balance at the beginning of the period	909	143	58
Acquisitions	-	144	-
Subtotal	909	287	58
Depreciation	(31)	(100)	-
Carrying amount at the end of the period	878	187	58

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

Fair value measurements at 30 June 2015	Buildings	Building Fitouts	Land
2015	\$'000	\$'000	\$'000
Opening balance at the beginning of the period	940	303	58
Acquisitions	-	49	-
Subtotal	940	352	58
Depreciation	(31)	(209)	-
Carrying amount at the end of the period	909	143	58

52 Payables

	2016	2015
	\$'000	\$'000
Current		
Creditors - electricity entities lease proceeds	6 946	5 875
Creditors - revenue received on behalf of the Consolidated Account	1 010 541	788 256
Creditors - other	15 117	22 638
Accrued expenses	9 995	7 328
Employment on-costs	293	185
Paid parental leave scheme payable	6	2
Total current payables	1 042 898	824 284
Non-current		
Creditors - electricity entities lease proceeds	35 267	58 988
Employment on-costs	111	71
Creditors - other	2 501	2 500
Super SA Select Loan	500	500
Total non-current payables	38 379	62 059
Total payables	1 081 277	886 343

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52 Payables (continued)

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 (of 10.3%) to 10.2%. These rates are used in the employment oncost calculation.

Interest rate and credit risk

Creditors are raised for all amounts billed but unpaid. Creditors are normally settled within 30 days of the invoice date provided the goods and services have been received. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand. In addition, there is no concentration of credit risk.

Maturity Analysis of Payables – refer to table 62.4 in note 62.

Categorisation of financial instruments and risk exposure information – refer to note 62.

53 Employee benefits

	2016	2015
	\$'000	\$'000
Current		
Accrued salaries and wages	244	106
Annual leave	887	731
Long service leave	345	352
Skills and experience retention leave	18	15
Total current employee benefits	1 494	1 204
Non-current		
Long service leave	1 205	788
Total current employee benefits	1 205	788
Total employee benefits payable	2 699	1 992

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%) to 2016 2%.

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flow, results in an increase in the reported long service leave liability.

The net financial effect of the changes in the financial year is an increase in the long service leave liability of \$120 000 and employee benefits expense of \$120 000. 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.

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54 Provisions

	2016	2015
	\$'000	\$'000
Current		
Provision for workers' compensation	159	74
Total current provisions	159	74
Non-current		
Provision for workers' compensation	344	252
Total non-current provisions	344	252
Total provisions	503	326
Reconciliation of Provisions	2016	2015
	\$'000	\$'000
Carrying amount at the beginning of the period	326	400
Payments/other sacrifices of future economic benefits	(349)	2
Increase/reduction in provisions recognised	526	(76)
Carrying amount at the end of the period	503	326

A liability has been recognised to reflect unsettled workers' compensation claims. The workers' compensation provision is based on an actuarial assessment performed by the Office for the Public Sector business unit of the Department of the Premier and Cabinet.

55 Other liabilities

	2016	2015
	\$'000	\$'000
Current		
Unearned revenue*	8 225	25
Total current other liabilities	8 225	25
Non-current		
Unearned revenue	655	680
Total non-current other liabilities	655	680
Total other liabilities	8 880	705

A portion of unearned revenue relates to pre-paid lease income. Specifically, the Treasurer entered into an agreement with the University of Adelaide to lease land and buildings previously owned by the National Wine Centre over a 40 year period, for an upfront consideration of \$1 000 000 which has been recorded as unearned revenue and is being apportioned over the life of the lease.

*\$8.2m in unearned revenue relates to funds received in advance from an insuring provider under the Compulsory Third Party insurance scheme.

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56 Equity

	2016	2015
	\$'000	\$'000
Asset revaluation surplus	635	635
Accumulated surplus/deficit	275 205	231 063
Total equity	275 840	231 698

The 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 accumulated surplus when an asset is derecognised.

57 Unrecognised contractual commitments

(a) Operating lease commitments

The Department as Lessee

At the reporting date, the Department has operating leases for office accommodation and motor vehicles.

Office accommodation is leased from the Department of Planning, Transport and Infrastructure. The leases are non-cancellable with terms ranging up to 6 years with some leases having right of renewal. Rent is payable in arrears.

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
Not later than one year	2 065	1 770
Later than one year but not later than five years	3 557	3 511
Total operating lease commitments	5 622	5 281

(b) Other commitments

The Department's other commitments primarily relate to distribution of Commonwealth funds to agencies in accordance with Schedule G of the Intergovernmental Agreement on Federal Financial Relations, Industry Assistance grants, and premiums from the advanced renewal of Compulsory Third Party (CTP) policies due to approved private CTP insurers.

Commitments in relation to other expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2016	2015
	\$'000	\$'000
Not later than one year	37 380	33 850
Later than one year but not later than five years	11 205	14 068
Later than five years	350	-
Total other commitments	48 935	47 918

Department of Treasury and Finance
Notes to and forming part of the Administered financial statements
for the year ended 30 June 2016

58 Contingent assets and liabilities

The following contingent assets and liabilities exist for the Administered Items:

Residual responsibilities for structural integrity of the National Wine Centre's buildings outside agreed maintenance regimes as required by the Memorandum of Lease – National Wine Centre. The lease expires in September 2043. The estimated maximum exposure of this liability is undefined.

On 26 November 2012 the State appointed Tatts Lotteries SA Pty Ltd (Tatts) as its exclusive Master Agent to operate SA Lotteries' brands and products for a term of 40 years, starting 11 December 2012. Under this arrangement the Lotteries Commission of South Australia is required to pay the Master Agent a master agency fee (payment obligation). The Treasurer has unconditionally and irrevocably guaranteed the performance by Lotteries Commission of South Australia of the payment obligation. The Treasurer has also indemnified the Master Agent against any cost, expense, loss or damage that the Master Agent may incur as a direct result of non-compliance by Lotteries Commission of South Australia with the payment obligation. The Treasurer's maximum aggregate liability to the Master Agent under this agreement is limited to an amount equal to the total quantum of Lotteries Commission of South Australia's liability to the Master Agent for the payment obligation.

Under section 15 of the *Government Financing Authority Act 1982*, all financial obligations incurred or assumed by SAFA are guaranteed by the Treasurer on behalf of the State of South Australia. This includes any derivative counterparties default. As at 30 June 2016, derivative credit exposure was \$485.3 million (\$455.1 million).

Under an agreement between Osborne Cogeneration Pty Ltd and SAFA for the Osborne Generation Plant, SAFA has guaranteed the performance of certain obligations by two Origin Energy subsidiaries. SAFA in turn, is indemnified by Origin Energy for the performance of its subsidiaries and by the Treasurer for the performance of Origin Energy under this arrangement. The maximum exposure of the guarantee is estimated at \$200 million.

Under the *Housing Loans Redemption Fund Act 1962* the Treasurer is committed to meet any shortfall in the fund from appropriated general revenue.

The Treasurer has indemnified SAFA against any profit or loss as a result of activities in the Insurance Fund 2 and Fund 3 portfolios. Given the nature of the activities in these funds, the Treasurer has approved that any operating profit before tax will be nil. This is achieved by negating the operating profit or loss with either a payable to or a receivable from the Treasurer. This policy resulted in a payable to the Treasurer of \$11.9 million (\$5.9 million).

The Treasurer has agreed to indemnify the Export Finance and Insurance Corporation, the Commonwealth Government's export finance agency, for a guarantee of up to \$291 million to external lenders to the Port Pirie Smelter Transformation Project being undertaken by Nyrstar. The indemnity was issued in 2015-16.

Liabilities incurred or assumed by the Local Government Finance Authority are guaranteed by the Treasurer. The Treasurer's exposure at 30 June 2016 was \$664.6 million (\$693.3 million).

The Unlocking Capital for Jobs Program involves the Government of South Australia providing a partial guarantee for loans made by participating banks to South Australian small and medium enterprises that have expansion or transformation plans and have satisfied the participating bank's normal lending criteria other than the provision of sufficient collateral as security for the loan. The Treasurer's exposure at 30 June 2016 was \$3.5 million out of the \$50 million program's limit.

The Treasurer unconditionally and irrevocably guarantees to each beneficiary the due and punctual payment and performance by the Adelaide Venue Management Corporation of the Corporation's obligations to that beneficiary.

The Treasurer has indemnified the fund of the Local Government Association (LGA) Mutual Liability Scheme for any admitted claim in the nature of a general liability that the LGA in respect of the Mutual Liability Scheme becomes legally liable to pay. For liability risks not covered under the State Government's liability reinsurance program, the indemnity is capped at \$50 million for any one such admitted claim. Any losses that exceed the State Government's liability reinsurance program limits and the \$50 million limit for liability risks not covered by the reinsurance program will be subject to separate negotiations between the LGA and the State Government.

Department of Treasury and Finance
Notes to and forming part of the Administered financial statements
for the year ended 30 June 2016

59 Cash flow reconciliation

	2016	2015
	\$'000	\$'000
(a) Reconciliation of Cash and Cash Equivalents at the end of the reporting period		
Statement of Cash Flows	1 353 109	1 112 174
Statement of Financial Position	1 353 109	1 112 174
(b) Reconciliation of net cash (used in) provided by operating activities to net result		
Net cash (used in) provided by operating activities	246 271	(510 555)
Add non cash items		
Depreciation and amortisation expense	(131)	(240)
Bad debts expense	(141)	(3 340)
Doubtful debts expenses	82	1 570
Discounted cash flow valuations for financial assistance loans – other revenues	2 312	13 732
Movements in financial assistance loans	-	495
Loans forgiven	(2 371)	(12 207)
Movements in assets / liabilities		
Increase/(decrease) in receivables	2 113	(5 504)
Increase/(decrease) in financial assets (not operating)	-	585
(Increase)/decrease in payables	(194 934)	509 412
(Increase)/decrease in employee benefits	(707)	(62)
(Increase)/decrease in provisions	(177)	74
(Increase)/decrease in other liabilities	(8 175)	21
Net result	44 142	(6 019)

Department of Treasury and Finance
Notes to and forming part of the Administered financial statements
for the year ended 30 June 2016

60 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	
	Note	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Expenses							
Employee benefit expenses	31	794	738	430 531	431 828	431 325	432 566
Supplies and services	32	2 985	3 769	52 356	54 624	55 341	58 393
Borrowing costs	33	273 638	338 361	1 654	2 223	275 292	340 584
Grants, subsidies and transfers	34	2 541 089	2 215 936	100 818	94 801	2 641 907	2 310 737
Depreciation and amortisation expenses	35	-	-	131	240	131	240
Other expenses	36	4 332	8 599	91 900	83 526	96 232	92 125
Payments to SA Government	41	10 392 611	12 450 563	-	-	10 392 611	12 450 563
Total expenses		13 215 449	15 017 966	677 390	667 242	13 892 839	15 685 208
Income							
Taxation	37	572 278	713 249	3 119 413	3 190 507	3 691 691	3 903 756
Commonwealth revenues	38	-	-	7 650 542	6 934 948	7 650 542	6 934 948
Dividends	39	288 612	214 393	-	-	288 612	214 393
Interest revenues	40	71 767	77 094	5 424	6 256	77 191	83 350
Revenues from SA Government	41	1 649 099	1 448 223	-	-	1 649 099	1 448 223
Grants and Contributions	42	83 989	71 466	628	1 027	84 617	72 493
Revenue from fees and charges	43	123 470	104 160	985	440	124 455	104 600
Other revenues	44	348 736	2 892 662	22 038	24 764	370 774	2 917 426
Total Income		3 137 951	5 521 247	10 799 030	10 157 942	13 936 981	15 679 189
Financial assets							
Cash and cash equivalents	45	1 353 109	1 112 174	-	-	1 353 109	1 112 174
Receivables	46	458	413	7 793	5 725	8 251	6 138
Other financial assets	47	-	-	5 733	735	5 733	735
Total financial assets		1 353 567	1 112 587	13 526	6 460	1 367 093	1 119 047
Financial liabilities							
Payables	52	1 061 971	859 508	19 306	26 835	1 081 277	886 343
Employee benefits	53	-	-	2 699	1 992	2 699	1 992
Provisions	54	-	-	503	326	503	326
Other liabilities	55	-	-	8 880	705	8 880	705
Total financial liabilities		1 061 971	859 508	31 388	29 858	1 093 359	889 366

Department of Treasury and Finance
Notes to and forming part of the Administered financial statements
for the year ended 30 June 2016

61 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 per cent of the original budgeted amount and 5 per cent of original budgeted total expenses.

Statement of Administered Comprehensive Income	Note	Original budget ¹	Actual	Variance	Variance Explanation
		\$'000	\$'000	\$'000	
Expenses					
Payments to SA Government	41	10 050 564	10 392 611	(342 047)	
Employee benefits expenses	31	(256 104)	431 325	(687 429)	1
Supplies and services	32	48 610	55 341	(6 731)	
Borrowing costs	33	652 676	275 292	377 384	
Grants, subsidies and transfers	34	1 372 448	2 641 907	(1 269 459)	2
Depreciation and amortisation expenses	35	-	131	(131)	
Other expenses	36	30 118	96 232	(66 114)	
Total expenses		11 898 312	13 892 839	(1 994 527)	
Income					
Taxation	37	3 754 349	3 691 691	62 658	
Commonwealth revenues	38	5 794 770	7 650 542	(1 855 772)	3
Dividends	39	220 527	288 612	(68 085)	
Interest	40	82 215	77 191	5 024	
Revenues from SA Government	41	1 631 666	1 649 099	(17 433)	
Grants and contributions	42	-	84 617	(84 617)	
Revenues from fees and charges	43	133 191	124 455	8 736	
Other revenues	44	54 434	370 774	(316 340)	
Total income		11 671 152	13 936 981	(2 265 829)	
Net result		(227 160)	44 142	(271 302)	

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 the line items in the financial statements. However the amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes.

Department of Treasury and Finance
Notes to and forming part of the Administered financial statements
for the year ended 30 June 2016

61 Budgetary reporting and explanations of major variances between budget and actual amounts (continued)

Variance Explanations:

1. Employee benefits

The unfavourable variance of \$687 million is primarily due to the original budget for employee benefits including the revaluation of unfunded superannuation liability (-\$257.4 million) with no actual revaluation recorded against employee benefits in the Statement of Administered Comprehensive Income. Employee benefits actual expenses also includes the past service superannuation payments (\$413.8 million) while the associated budget is disclosed as part of the Treasury and Finance Administered Items Account Statement of Cash Flows which does not form part of the Statement of Comprehensive Income original budget amount.

2. Grants, Subsidies and Transfers

The \$1.269 billion unfavourable variance against the original budget is primarily due to payments to agencies (\$1.698 billion) in relation to the Intergovernmental Agreement on Federal Financial Relations and a payment to the Community Emergency Services Fund (\$232 million) being recorded in the Administered financial statements while the associated budgets are disclosed as part of the Statement of Cash Flows for Other Accounts which does not form part of the Statement of Comprehensive Income original budget amount. These variances are offset by the grants, subsidies and transfers original budget including a budget amount for the repayment of advances (-\$511 million) while the actual transactions are treated as income in the Statement of Comprehensive Income.

3. Commonwealth Revenues

The \$1.856 billion favourable variance against the original budget is primarily due to the actual funding from the Commonwealth for Intergovernmental Agreement on Federal Financial Relations (\$1.675 billion) being recorded in the Department's Administered financial statements while the associated budget is disclosed as part of the Statement of Cash Flows for Other Accounts which does not form part of the Statement of Administered Comprehensive Income original budget amount.

62 Financial risk management/Financial instruments

62.1 Financial risk management

Risk management is managed by the Department's corporate services section and Departmental 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*.

62.2 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.

Department of Treasury and Finance
Notes to and forming part of the Administered financial statements
for the year ended 30 June 2016

62 Financial risk management/Financial instruments (continued)

2016

Categorisation of financial asset and financial liability	Statement of Financial Position line item	Note	Carrying amount 2016 \$'000	Fair Value 2016 \$'000
Financial asset				
Cash and cash equivalents	Cash and cash equivalents	45,59	1 353 109	1 353 109
Loans and receivables	Receivables ^{(1) (2)}	46	1 235	1 235
Held to maturity	Other financial assets	47	5 733	5 733
	Total financial assets		1 360 077	1 360 077
Financial liabilities				
Financial liabilities at cost	Payables ⁽¹⁾	52	1 067 871	1 067 871
	Total financial liabilities		1 067 871	1 067 871

2015

Categorisation of financial asset and financial liability	Statement of Financial Position line item	Note	Carrying amount 2015 \$'000	Fair Value 2015 \$'000
Financial asset				
Cash and cash equivalents	Cash and cash equivalents	45,59	1 112 174	1 112 174
Loans and receivables	Receivables ^{(1) (2)}	46	1 331	1 331
Held to maturity	Other financial assets	47	735	735
	Total financial assets		1 114 240	1 114 240
Financial liabilities				
Financial liabilities at cost	Payables ⁽¹⁾	52	875 756	875 756
	Total financial liabilities		875 756	875 756

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. All amounts recorded are carried at cost.

(2) Excludes prepayments which do not meet the definition of a financial asset as per AASB 132.

Fair value

The Department of Treasury and Finance 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 value due to the short term nature of these. Refer to notes 46 and 52.

Credit risk

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

The Department has minimal concentration of credit risk. The Department does not engage in hedging for its financial assets.

Allowances for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently the Department does not hold any collateral as security to any of its financial assets. Other than receivables and other financial assets, there is no evidence to indicate that the financial assets are impaired. Refer to note 46 for information on the allowance for impairment in relation to receivables.

Department of Treasury and Finance
Notes to and forming part of the Administered financial statements
for the year ended 30 June 2016

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

Table 62.3 Ageing analysis of financial assets

	Past due by			
	Overdue for < 30 days \$'000	Overdue for 30 – 60 days \$'000	Overdue for > 60 days \$'000	Total \$'000
2016				
Not impaired				
Other financial assets	-	-	5 733	5 733
Impaired				
Receivables ⁽¹⁾	-	-	1 235	1 235
Total	-	-	6 968	6 968
2015				
Not impaired				
Other financial assets	-	-	735	735
Impaired				
Receivables ⁽¹⁾	-	-	1 317	1 317
Total	-	-	2 052	2 052

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

Liquidity risk

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

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

The carrying amount of financial liabilities recorded in table 62.4 represent the Department's maximum exposure to liquidity risk.

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

Department of Treasury and Finance
Notes to and forming part of the Administered financial statements
for the year ended 30 June 2016

62 Financial risk management/Financial instruments (continued)

Table 62.4 Maturity analysis of financial assets and liabilities

	Carrying amount \$'000	2016 Contractual maturities		
		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000
Financial assets				
Cash and cash equivalents	1 353 109	1 353 109	-	-
Receivables	1 235	1 235	-	-
Other financial assets	5 733	4 000	1 733	-
Total financial assets	1 360 077	1 358 344	1 733	-
Financial liabilities				
Payables	1 067 871	1 032 604	-	35 267
Total financial liabilities	1 067 871	1 032 604	-	35 267

	Carrying amount \$'000	2015 Contractual maturities		
		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000
Financial assets				
Cash and cash equivalents	1 112 174	1 112 174	-	-
Receivables	1 331	1 331	-	-
Other financial assets	735	735	-	-
Total financial assets	1 114 240	1 114 240	-	-
Financial liabilities				
Payables	875 756	816 768	-	58 988
Total financial liabilities	875 756	816 768	-	58 988

Market risk

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities. The Department's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

63 Transferred Functions

There were no restructures during 2015-16.

64 Events after the end of the reporting period

There were no events occurring after the end of the reporting period that have material financial implications on these financial statements.

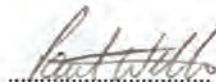
Certification of the financial statements

We certify that the:

- financial statements for the Department of Treasury and Finance:
 - are in accordance with the accounts and records of the Department; 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 Department at the end of the financial year and the result of its operation and cash flows for the financial year.
- Internal controls employed by the Department of Treasury and Finance over its financial reporting and its preparation of the financial statement have been effective throughout the financial year.



David Reynolds
CHIEF EXECUTIVE
UNDER TREASURER
16 /09/2016



Paul Williams
DIRECTOR
FINANCIAL SERVICES
16 /09/2016



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To the Chief Executive Department of Treasury and Finance

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 Treasury and 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
- 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
- Disaggregated Disclosures - 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 Chief Executive and the Director, Financial Services.

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.

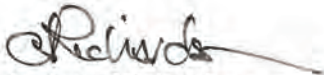
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. 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 Treasury and 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 the Department of Treasury and 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

University of Adelaide

Financial report
for the year ended
31 December 2015

Statement of Comprehensive Income for the year ended 31 December 2015

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
Revenue from continuing operations					
Received under Higher Education Support Act					
Base operating financial assistance	4	214,650	210,565	214,650	210,565
Other operating financial assistance	4	7,991	8,165	7,991	8,165
Higher Education Contribution Scheme	4	114,725	112,451	114,725	112,451
		337,366	331,181	337,366	331,181
Learning and Teaching					
Student fees	4	198,188	183,475	198,188	183,475
Grants	4	31,612	35,551	31,612	35,607
		229,800	219,026	229,800	219,082
Research Grants and Fees					
National competitive grants		99,062	108,984	99,062	108,984
Public sector - other		55,301	54,127	40,361	39,083
Industry and other		56,438	60,613	39,884	42,540
		210,801	223,724	179,307	190,607
Research - Other					
Cooperative Research Centre direct funding		3,573	2,959	3,573	2,905
Research infrastructure program		15,519	16,164	15,519	16,164
Sustainable Excellence Research Funding		10,062	9,364	10,062	9,364
		29,154	28,487	29,154	28,433
Other					
Investment revenue	4	27,437	31,569	25,882	28,726
Property revenue	4	15,804	15,779	15,561	15,747
Specialist services and trading	4	45,038	41,716	21,371	18,198
Bequests, donations & other revenue	4	39,844	35,303	34,253	30,103
		128,123	124,367	97,067	92,774
Total revenue from continuing operations		935,244	926,785	872,694	862,077
Expenses from continuing operations					
Salaries and related expenses	5	486,767	478,795	470,708	462,768
Student services		46,307	45,748	46,307	45,748
Teaching and research	5	89,880	92,328	91,452	94,034
Buildings and grounds	5	63,789	59,358	62,563	58,276
Finance costs	5	5,168	6,342	5,273	6,459
Administration, communication and travel	5	130,323	125,518	81,326	75,428
Finance and fund administration	5	2,759	2,575	2,759	2,573
Misc equip, dep'n and net loss on disposal of assets	5	59,990	63,043	59,305	62,361
Total expenses from continuing operations		884,983	873,707	819,693	807,647
Net operating result for the year		50,261	53,078	53,001	54,430
Operating result attributable to minority interest		-	-	-	-
Net operating result for the year		50,261	53,078	53,001	54,430

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income for the year ended 31 December 2015 - continued

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
Operating result for the period		50,261	53,078	53,001	54,430
Items that may be reclassified to net operating result					
Gain / (loss) on swap contracts	9	1,376	(5,976)	1,376	(5,976)
Gain / (loss) on value of available for sale financial assets, net of tax	14,33	-	-	(3,196)	(1,364)
Total		1,376	(5,976)	(1,820)	(7,340)
Items that will not be reclassified to net operating result					
Gain / (loss) on revaluation of works of Art	15	-	54	-	54
Share of other comprehensive income of investments accounted for using the equity method	4	(348)	278	-	-
Remeasurements of Defined Benefit Plans	27(c)	11	(2,899)	11	(2,899)
Total		(337)	(2,567)	11	(2,845)
Total other comprehensive income		1,039	(8,543)	(1,809)	(10,185)
Total comprehensive income		51,300	44,535	51,192	44,245
Total comprehensive income attributable to non-controlling interest		-	-	-	-
Total comprehensive income attributable to the University of Adelaide		51,300	44,535	51,192	44,245

Statement of Financial Position as at 31 December 2015

		Consolidated		University	
	Note	2015	2014	2015	2014
		\$000	\$000	\$000	\$000
Current Assets					
Cash and cash equivalents	6	53,936	51,630	45,891	41,457
Receivables	7	41,997	31,479	40,653	30,748
Other financial assets	8	60,357	90,777	60,147	90,316
Derivative financial instruments	9	2	-	2	-
Inventories	10	1,972	2,093	634	829
Other non-financial assets	11	11,540	12,963	11,407	12,776
Deferred government superannuation contribution	27(d)	4,300	4,200	4,300	4,200
		174,104	193,142	163,034	180,326
Non-current assets held for sale	12	22,600	46,138	22,600	46,138
Total current assets		196,704	239,280	185,634	226,464
Non-current Assets					
Other financial assets	8	265,247	248,804	258,655	242,188
Investments accounted for using the equity method	13	2,121	1,988	972	491
Available-for-sale financial assets	14	-	-	22,366	25,562
Property, plant and equipment	15	1,230,164	1,167,595	1,218,256	1,154,975
Investment property	16	-	-	-	-
Intangible assets	17	20,730	18,007	20,730	18,007
Other non-financial assets	11	7,899	8,141	7,899	8,141
Deferred government superannuation contribution	27(d)	64,128	67,302	64,128	67,302
Total non-current assets		1,590,289	1,511,837	1,593,006	1,516,666
Total assets		1,786,993	1,751,117	1,778,640	1,743,130
Current Liabilities					
Payables	18	76,538	70,599	68,452	61,793
Borrowings	19	5,000	5,006	5,000	5,006
Provisions	20	27,950	26,297	26,705	25,152
Defined benefit obligation	27(d)	4,300	4,200	4,300	4,200
Other	21	20,949	17,550	23,485	21,731
Total current liabilities		134,737	123,652	127,942	117,882
Non-current Liabilities					
Payables	18	11,737	10,876	11,721	10,824
Borrowings	19	46,510	72,518	46,510	72,518
Provisions	20	64,329	62,213	64,176	61,814
Derivative financial instruments	9	15,706	17,080	15,706	17,080
Defined benefit obligation	27(d)	64,128	67,302	64,128	67,302
Other	21	1,555	-	1,555	-
Total non-current liabilities		203,965	229,989	203,796	229,538
Total liabilities		338,702	353,641	331,738	347,420
Net assets		1,448,291	1,397,476	1,446,902	1,395,710
Equity					
Capital reserves	23	579,168	579,168	596,832	600,028
Specific purpose reserves	23	608,356	585,099	608,356	585,099
Retained surplus	23	260,770	233,211	241,714	210,583
Total University interest		1,448,294	1,397,478	1,446,902	1,395,710
Non-controlling interest		(3)	(2)	-	-
Total equity		1,448,291	1,397,476	1,446,902	1,395,710

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 31 December 2015

Consolidated	Capital Reserves \$000	Specific Purpose Reserves \$000	Retained Surplus \$000	Non- controlling Interest \$000	Total \$000
Balance at 1 January 2014	579,114	537,462	236,367	(2)	1,352,941
Net result	-	47,637	5,441	-	53,078
Other comprehensive income					
Gain / (loss) on revaluation of works of Art	54	-	-	-	54
Gain / (loss) on swap contracts	-	-	(5,976)	-	(5,976)
Share of other comprehensive income of investments accounted for using the equity method	-	-	278	-	278
Remeasurements of Defined Benefit Plans	-	-	(2,899)	-	(2,899)
Total other comprehensive income	54	-	(8,597)	-	(8,543)
Balance at 31 December 2014	579,168	585,099	233,211	(2)	1,397,476
Balance at 1 January 2015	579,168	585,099	233,211	(2)	1,397,476
Net result	-	23,257	27,005	(1)	50,261
Other comprehensive income					
Gain / (loss) on revaluation of land and buildings	-	-	-	-	-
Gain / (loss) on revaluation of works of Art	-	-	-	-	-
Gain / (loss) on revaluation of Library	-	-	-	-	-
Gain / (loss) on swap contracts	-	-	1,376	-	1,376
Share of other comprehensive income of investments accounted for using the equity method	-	-	(348)	-	(348)
Remeasurements of Defined Benefit Plans	-	-	11	-	11
Other adjustments recognised directly in equity	-	-	(485)	-	(485)
Total other comprehensive income	-	-	554	-	554
Balance at 31 December 2015	579,168	608,356	260,770	(3)	1,448,291

Statement of Changes in Equity for the year ended 31 December 2015 - continued

University	Capital Reserves \$000	Specific Purpose Reserves \$000	Retained Surplus \$000	Non- controlling Interest \$000	Total \$000
Balance at 1 January 2014	601,338	537,462	212,665	-	1,351,465
Net result	-	47,637	6,793	-	54,430
Other comprehensive income					
Gain / (loss) on revaluation of works of Art	54	-	-	-	54
Gain / (loss) on value of available for sale financial assets, net of tax	(1,364)	-	-	-	(1,364)
Gain / (loss) on swap contracts	-	-	(5,976)	-	(5,976)
Remeasurements of Defined Benefit Plans	-	-	(2,899)	-	(2,899)
Total other comprehensive income	(1,310)	-	(8,875)	-	(10,185)
Balance at 31 December 2014	600,028	585,099	210,583	-	1,395,710
Balance at 1 January 2015	600,028	585,099	210,583	-	1,395,710
Net result	-	23,257	29,744	-	53,001
Other comprehensive income					
Gain / (loss) on value of available for sale financial assets, net of tax	(3,196)	-	-	-	(3,196)
Gain / (loss) on swap contracts	-	-	1,376	-	1,376
Remeasurements of Defined Benefit Plans	-	-	11	-	11
Total other comprehensive income	(3,196)	-	1,387	-	(1,809)
Balance at 31 December 2015	596,832	608,356	241,714	-	1,446,902

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 31 December 2015

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
Cash flows from operating activities					
Inflows:					
Australian Government financial assistance	39(h)	501,126	517,174	500,193	516,804
OS-Help (net)	39(h)	1,015	696	1,015	696
Higher Education Superannuation	39(h)	4,029	3,804	4,029	3,804
State Government financial assistance		25,124	23,092	24,682	22,698
HECS-HELP student upfront payments		13,001	13,789	13,001	13,789
Fee paying student revenue received		182,018	166,558	182,018	166,558
Fees and charges		25,580	23,154	25,580	23,154
Donations and bequests		3,756	4,428	3,751	4,428
Interest and dividends received		10,996	10,024	5,950	4,580
Consultancy and contract research		96,041	90,052	61,318	51,193
Specialist services and produce trading		17,364	15,819	7,023	5,579
GST received		23,707	23,308	22,427	22,064
Other		56,952	41,568	45,867	30,395
Total inflows		960,709	933,466	896,854	865,742
Outflows:					
Salaries and related expenses		(482,126)	(475,853)	(466,254)	(459,955)
Student services		(46,307)	(45,748)	(46,307)	(45,748)
Goods and services		(308,465)	(296,196)	(262,824)	(250,139)
Costs of finance		(1,005)	(1,088)	(842)	(899)
GST paid		(29,407)	(25,520)	(24,216)	(19,826)
Total outflows		(867,310)	(844,405)	(800,443)	(776,567)
Net cash provided by operating activities	24	93,399	89,061	96,411	89,175

Statement of Cash Flows for the year ended 31 December 2015 - continued

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
Cash flows from investing activities					
Inflows:					
Proceeds from sale of property, plant and equipment		126	306	125	306
Proceeds from sale of financial assets		4,559	5,562	4,872	5,800
Proceeds from sale of financial assets held-to-maturity		25,005	-	25,005	-
Proceeds from sale of non-current assets held for sale		25,000	-	25,000	-
Proceeds from joint venture investments		251	-	-	-
Increase in loans		40	40	-	-
Repayment of loans by related parties		155	1,104	160	1,159
Total inflows		55,136	7,012	55,162	7,265
Outflows:					
Payments for property, plant and equipment		(105,776)	(55,093)	(105,236)	(54,214)
Payments for intangible assets		(10,093)	(11,899)	(10,093)	(11,899)
Payments for financial assets		(481)	(8,585)	(481)	(8,585)
Payments for financial assets held-to-maturity		-	(1,267)	-	(751)
Payment of loans		(39)	(6)	(14)	(6)
Increase in loans to related parties		(25)	-	-	-
Repayment of funds held on deposit		-	-	(1,500)	-
Total Outflows		(116,414)	(76,850)	(117,324)	(75,455)
Net cash used in investing activities		(61,278)	(69,838)	(62,162)	(68,190)
Cash flows from financing activities					
Outflows:					
Repayment of borrowings		(26,000)	(5,000)	(26,000)	(5,000)
Borrowings - interest repayments		(3,780)	(5,984)	(3,780)	(5,984)
Total outflows		(29,780)	(10,984)	(29,780)	(10,984)
Net cash used in financing activities		(29,780)	(10,984)	(29,780)	(10,984)
Net increase (decrease) in cash and cash equivalents		2,341	8,239	4,469	10,001
Cash and cash equivalents at the beginning of reporting period		51,630	42,932	41,457	30,997
Effects of exchange rate changes on cash and cash equivalents		(35)	459	(35)	459
Cash and cash equivalents at end of reporting period	6	53,936	51,630	45,891	41,457

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

The University invests its surplus working capital into bank term investments. These bank term investments are reported as Financial Assets held-to-maturity within Note 8 (2015: \$60.0 million, 2014: \$90.2 million). As a consequence these amounts are not reported within Cash and Cash Equivalents and the movement in these assets are not reported within the Statement of Cash Flows.

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1. Basis of Preparation

These notes, prepared in conjunction with the financial statements, provide an explanation of significant accounting policies and practices adopted in the preparation of the statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements and notes collectively constitute a general purpose financial report prepared on an accrual basis and in accordance with Australian Accounting Standards, Australian Accounting Standards Board (AASB) interpretations, the Higher Education Support Act 2003, Financial Statement Guidelines of the Department of Education, the South Australian Treasurer's Instructions and the Accounting Policy Framework issued under the provisions of the Public Finance and Audit Act 1987 (except where in conflict with Department of Education requirements). The University applies Tier 1 reporting requirements.

(a) Compliance with IFRS

The University of Adelaide is a not-for-profit entity and these financial statements have been prepared on that basis. The financial statements and notes of the University comply with Australian Accounting Standards, some of which contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

(b) Critical accounting estimates

Preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the University's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed where applicable, in the relevant notes to the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2. Scope of Reporting

The financial statements and notes disclose the 2015 operating results and 2014 comparative results of The University of Adelaide as follows:

University - refers to all aspects of operation of The University of Adelaide only.

Consolidated - refers to the financial results of The University of Adelaide together with the financial results of its controlled entities (refer to Note 33). It includes the University's interests in associates (Note 34) and its joint arrangements (Note 36), recognised using the equity accounting method.

The controlled entities of The University of Adelaide, included in this report are:

Adelaide Research & Innovation Pty Ltd as trustee for The Adelaide Research & Innovation Investment Trust:
- ACN 008 123 466 Pty Ltd (Formerly Repromed Pty Ltd)

Adelaide Unicare Pty Ltd as trustee for the Unihealth Research & Development Trust

Martindale Holdings Pty Ltd as trustee for
- JS Davies Estate
- JAT Mortlock Trust
- The Roseworthy Farm

National Wine Centre Pty Ltd as trustee for the National Wine Centre Trust

Roseworthy Piggery Pty Ltd

The Women's and Children's Health Research Institute

3. Statement of Significant Accounting Policies

(a) Basis of Accounting

This general purpose financial report has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the Consolidated Entity, and these policies have been consistently applied to all the years presented, unless otherwise stated.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures. Where comparatives have been reclassified, the impact of this reclassification has been disclosed in the relevant note.

(b) Principles of Consolidation

The consolidated financial statements of the Consolidated Entity include the financial statements of the University, being the parent entity, and its controlled entities ('the Consolidated Entity'). All entities have a 31 December reporting period.

Controlled Entities are those entities over which the Consolidated Entity has control. The Consolidated Entity has control over an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Power over the entity exists when the Consolidated Entity has existing rights that give it current ability to direct the relevant activities of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another entity. Returns are not necessarily monetary and can be only positive, only negative, or both positive and negative.

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances, and effects of transactions, between controlled entities have been eliminated in the consolidated financial statements. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Non-controlling interest in the equity and results of the entities that are controlled by the University are shown as a separate item in the consolidated financial statements.

(c) Foreign Currency

The University and its controlled entities financial statements are prepared in Australian dollars as their primary activities are conducted within Australia where the functional currency is Australian dollars.

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions and brought to account in the Net operating result. Amounts receivable and payable in foreign currencies at the end of the reporting period are translated at the rates of exchange ruling on that date.

(d) Revenue Recognition

The University recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the University and specific criteria have been met for each of the University's activities as described below. In some cases this may not be probable until consideration is received or an uncertainty is removed. The Consolidated Entity bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

- **Grant Revenue**
Grant revenue is recognised in the accounting period that the University obtains control of the revenue which is generally when it is received or where the University obtains control of the right to receive the grant and when the revenue recognition criteria are met.
- **HELP payments**
Revenue from HELP is categorised into those received from the Australian Government and those received directly from students. Revenue is recognised in the year in which the service is provided.
- **Student Tuition Fees and Charges**
Student tuition fees and charges are recognised in the year in which the service is provided.
- **Consultancy, Contract and Industry Research**
Consultancy, contract and industry research income is recognised in the accounting period in which the service is provided.
- **Bequests and Donations**
Bequests and donations are recognised as income in the accounting period they are received.
- **Interest and Investment Income**
Interest and income from investments are recognised as they accrue (refer to Note 3(j)).
- **Royalties, trademarks and licenses**
Revenue from royalties, trademarks and licences is recognised as income when earned.

- **Asset Sales**

The net gain/loss from asset sales is included in the Consolidated Entity Net operating result. The profit or loss on disposal of assets is brought to account at the date the contract of sale becomes unconditional.

(e) **Goods and Services Tax**

Revenues, expenses, assets and liabilities are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included.

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

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

(f) **Income Tax**

The University does not provide for Australian income tax as it is exempt under the provisions of Division 50 of the *Income Tax Assessment Act 1997*.

(g) **Intangible Assets**

Research expenditure is expensed in the period in which it is incurred. Where no internally generated asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

Any intangible assets arising from development (or from the development phase of an internal project) are recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

All computer software other than operating systems is treated as intangible assets.

Intangible assets are stated at cost less accumulated amortisation and impairment, whereby impairment is tested annually (refer to Note 17). Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years.

(h) **Employee Benefits**

- **Wages and Salaries**

The employees' entitlements to wages and salaries represent the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services provided up to the end of the reporting period. The entitlements have been calculated at the wage and salary rates as at the end of the reporting period and have been recognised in payables.

- **Annual Leave**

The employees' entitlements to annual leave expected to be settled within 12 months of the end of the reporting period have been calculated at the amounts expected to be paid when the liabilities are settled and recognised in current provisions. Where the employees' entitlements to annual leave are not expected to be settled within 12 months of the end of the reporting period, the provision has been discounted to present value using the Australian Government 3 year bond rate and recognised in non-current provisions. The employee on-costs related to annual leave provision are recognised in payables.

- **Long Service Leave**

The liability for employees' entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the end of the reporting period.

Liabilities for employees' entitlements, which are not expected to be settled within twelve months, are discounted using the rates attaching to Australian Government securities at the end of the reporting period, which most closely match the terms of maturity of the related liabilities, and recognised in non-current provisions.

In determining the liability for employees' entitlements, consideration has been given to future increases in wage and salary rates, and the Consolidated Entity's experience with staff departures. Related on-costs have been recognised in payables.

- **Superannuation**

Superannuation schemes exist to provide benefits to University employees and their dependents upon retirement, disability or death. The contributions made to these schemes by the University, and emerging costs from unfunded schemes, are expensed in the Net operating result. For defined benefit plans, the remeasurement gains and losses are recognised immediately in other comprehensive income in the year in which they occur and the liability in relation to the defined benefit

obligation, net of assets, has been recognised in the Statement of Financial Position. Refer to Note 27 for details relating to the individual schemes.

- **Termination Benefits**

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. The Consolidated Entity recognises the expense and liability for termination benefits either when it can no longer withdraw the offer of those benefits or when it has recognised costs for restructuring within the scope of AASB137 that involves the payment of termination benefits. The expense and liability are recognised when the Consolidated Entity is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

- (i) **Receivables**

Trade receivables are initially recognised at fair value. The collectability of receivables is assessed at the end of the reporting period and provision is made for any amounts considered to be doubtful. Any debts considered to be non-collectable have been expensed as bad debts.

- (j) **Cash and Cash Equivalents**

Cash and cash equivalents includes cash at bank or on hand and deposits held at call with financial institutions.

- (k) **Other Financial Assets**

The Consolidated Entity classifies its investments into the following categories: financial assets at fair value through profit or loss, financial assets held-to-maturity, available for sale financial assets and loans and receivables. The classification depends on the purpose for which the investments were acquired. The classification of the investments is made at initial recognition and is reviewed at the end of each reporting period.

- **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified in this category if acquired for the purpose of selling in the short-term. Financial assets at fair value through profit or loss are classified as current assets in the Statement of Financial Position, with any realised and unrealised gains or losses recognised in the Net operating result.

Endowment Fund

The majority of specific purpose endowments received by the University to fund research activities, scholarships, prizes and lectures are included in the Endowment Fund. This Fund is invested in cash deposits and longer term investments managed by independent investment managers. These investments are reported in non-current financial assets in the Statement of Financial Position at market values obtained from the investment managers.

- **Financial assets held-to-maturity**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the University's management has the positive intention and ability to hold to maturity.

The University places its surplus operating funds into bank term deposits with fixed maturity dates. Financial assets held to maturity are carried at cost.

- **Available-for-sale financial assets**

The financial assets are classified in this category where there is an intention to dispose of the investment, rather than replacing the investment through trading or where they are not classified in any of the other categories. Available for sale financial assets are recorded at fair value less impairment in the Statement of Financial Position. Unrealised gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined impaired, at which time the cumulative unrealised gain or loss previously recognised in the reserve is included in the Net operating result for the period. The University's investments in controlled entities are classified as non-current available-for-sale financial assets as the University does not intend to dispose of these assets in the near future.

- **Loans and receivables**

Financial assets are classified in this category when the Consolidated Entity provides money, goods or services to a debtor with no intention of selling the receivable. Financial assets classified as loans and receivables are recorded at amortised cost less impairment. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

- (l) **Derivative Financial Instruments**

The Consolidated Entity enters into interest rate swaps (Derivative financial instruments) to manage its exposure to movements in interest rates on its borrowings.

In addition, the Consolidated Entity enters into foreign currency swaps (Derivative financial instruments) to manage its exposure to movements in exchange rates on its capital expenditure and library subscriptions.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised as an asset or liability as the swaps are effective hedging instruments.

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

Hedge accounting

The Consolidated Entity has designated the interest rate and foreign currency swaps as cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Consolidated Entity documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting cash flows of the hedged item.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in the Statement of Comprehensive Income. The gain or loss relating to the ineffective portion is recognised immediately in the Net operating result. As at 31 December 2015 there are no ineffective hedge instruments.

Amounts deferred in equity are recorded in the Net operating result in the periods when the hedged item is recognised in the Net operating result. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Net operating result. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in other comprehensive income is recognised immediately in the Net operating result.

(m) Fair Value Measurement

The fair value of assets and liabilities must be measured for recognition and disclosure purposes.

The Consolidated Entity classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value of financial assets or liabilities traded in active markets is based on quoted market prices for identical assets or liabilities at the end of the reporting period (level 1). The quoted market price used for assets held by the Consolidated Entity is the most representative of fair value in the circumstances within the bid-ask spread.

The fair value of financial assets or liabilities that are not traded in an active market is determined using valuation techniques. The Consolidated Entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of the reporting period. Quoted market prices or dealer quotes for similar instruments (level 2) are used for long-term debt instruments held. Other techniques that are not based on observable market data (level 3) are used to determine fair value for the remaining assets and liabilities. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. The level in the fair value hierarchy is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Fair value measurement of non-financial assets is based on the highest and best use of the asset. The Consolidated Entity considers market participants use of, or purchase of the asset, to use it in a manner that would be highest and best use.

The carrying value less impairment provision of trade receivables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

(n) Investments in Business Undertakings

• Controlled Entities

Investments in controlled entities are carried in the University's financial statements at fair value. Dividends and distributions are brought to account in the Net operating result when they are declared by the controlled entities.

• Interests in Associates

Interests in associates represent interests where the Consolidated Entity exercises a significant influence but not control over the financial and operating policies.

In the University's financial statements, investments in these entities are carried at cost.

In the consolidated financial statements, investments in these entities are accounted for using the equity method of accounting. The Consolidated Entity's share of the net profit or loss after tax is recognised in Consolidated Other comprehensive income after the elimination of unrealised profits and losses on transactions between these entities and any entities in the Consolidated Entity.

- **Joint Arrangements**
Where the Consolidated Entity has joint control of an entity as described in Note 36, the Consolidated Entity interests are accounted for using the equity method.
- **Cooperative Research Centres**
The University derives income as part of its participation in Cooperative Research Centres, as listed in Note 35. In the ordinary course of events this income, which is recognised in the financial statements of the University, is used to meet operational costs and/or acquire equipment. As a participant, the University will be entitled to a proportionate share of any intellectual property arising. As at the reporting date, the University is not aware of any material intellectual property with commercial value. As such no accounting entries have been recorded.
- **Other Business Undertakings**
The Consolidated Entity holds a number of investments. In the case of publicly listed investments, these have been valued at market value. In the case of non publicly listed investments, these have been valued at lower of cost or net realisable value (refer to Note 3 (k)).

(o) **Inventories**

- **Consumable Materials and Trading Stock**
The University has a number of inventory stores at several locations. The inventory is valued at cost based on the weighted average cost method.
- **Livestock**
The University breeds animals for teaching and research activities and not for profit. Consequently it does not attribute a value to livestock for recording in the Statement of Financial Position. Where controlled entities have reported livestock, this is included at net realisable value.

(p) **Property, Plant and Equipment**

- **Acquisitions**
Items of property, plant and equipment are initially recorded at cost in the Statement of Financial Position (unless otherwise indicated) and depreciated in accordance with Note 3(s).
- **Revaluations**
During 2013 land and buildings were independently valued on a fair value basis in accordance with Australian Accounting Standards.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation.

Increases in the carrying amounts arising on revaluation of land and buildings, library collection and works of art are credited to capital reserves in equity within the Statement of Financial Position except to the extent that they reverse previous reductions in the carrying amounts which were charged to the Net operating result. Decreases that reverse previous increases of the same class of asset are first charged against the capital reserves in equity to the extent of the remaining reserve attributable to the class of asset. All other decreases are charged to the Net operating result.

- **Disposal of Revalued Assets**
The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the results in the year of disposal.
- **Land and Buildings**
The University differentiates between "trust" and "other" land and buildings. "Trust" land is land provided to the University by Government to be held in trust for the specific purpose of operating the University, or acquired by settlement under a binding trust. Buildings constructed on land classified as "trust" land are classified as "trust" buildings.

All land and buildings are recorded at fair value which has been assessed via an independent valuation on the basis of market value for existing use. The valuation of land and buildings has been carried out by Mr Martin Oldfield, AAPI, BBus Property (Val), Mr Graham Martin, AAPI, BBus Property (Val), Mr Darcy Bruce, AAPI, BAppSc (Val) of Maloney Field Services (Australia) Pty Ltd on 31 December 2013.
- **Other Collections**
The University owns a number of collections of cultural, historical and scientific significance. Many of these collections are unique or extremely rare. The University is not able to reliably measure the value of these collections and therefore has not recognised them as an asset in the Statement of Financial Position. Furthermore, collections which are irreplaceable (excluding works of art) are not covered by University insurance due to difficulty in determining an insurable value, the costs associated with deriving such a value, and the premium load an insurer would require to carry such a risk.
- **Library Collection**
The Library collection was revalued on 31 December 2013 using an internal valuation based on the annual price movement of books.

- **Works of Art**

Works of art \$2,000 and greater, are recorded at fair value on the basis of an independent valuation carried out by Mr JFB Bruce AM JP (MAAVA), Managing Director of Theodore Bruce Auctions Pty Ltd on 31 December 2014. No provision for depreciation is made for works of art.

- **Leased Property, Plant and Equipment**

Leases of property, plant and equipment where the University, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. As at 31 December 2015 there are no finance leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Net operating result on a straight-line basis over the period of the lease.

(q) **Non-current Assets Held for Sale**

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs of disposal if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of non-current assets classified as held for sale continue to be recognised.

Non-current assets classified as held for sale are presented separately from the other assets in the Statement of Financial Position.

(r) **Impairment of Assets**

The Consolidated Entity assesses at the end of the reporting period whether there is objective evidence that an asset or group of assets is impaired.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Net operating result for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if changes in circumstances indicate they might be impaired. An impairment loss is recognised if the carrying amount of the asset or its related cash-generating-unit (CGU) exceeds its recoverable amount.

(s) **Depreciation and Amortisation**

Depreciation on freehold buildings is calculated on a diminishing value basis. Depreciation is provided on other property, plant and equipment, excluding land and works of art, on a straight line basis so as to write off the net cost or other revalued amount of each asset over its remaining expected useful life. Leasehold improvements are amortised over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation/amortisation:

• Buildings	80 – 100 years
• Leasehold improvements	5 – 50 years
• Library Collection	10 years
• Plant and equipment including motor vehicles	5 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

(t) **Investment Properties**

Investment properties are distinct from property, plant and equipment, in that they are held to earn rentals, rather than for use in the production or supply of goods and services.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the University. Where an investment property is acquired at no cost or for nominal consideration, its cost is deemed to be its fair value, as at the date of acquisition.

Subsequent to initial recognition at cost, investment properties are re-valued to fair value, which is based on active market prices, with changes in the fair value recognised in the Net operating result in the period that they arise. The properties are not depreciated. Rental revenue from the leasing of investment properties is recognised in the Net operating result in the periods in which it is receivable, as this represents the pattern of service rendered through the provision of the properties.

An independent valuation of investment properties has been carried out by Mr Graham Martin, AAPI, BBus Property (Val) and Ms Andrea Carolan, FAPI, BAppSc (Val) of Maloney Field Services (Australia) Pty Ltd on 30 November 2014 prior to these properties being reclassified to non-current assets held for sale.

(u) Repairs and Maintenance

Repairs and maintenance costs are recognised as expenses as incurred, except where they relate to the replacement component of an asset, in which case the costs are capitalised and depreciated. Other routine operating maintenance, repair or minor renewal costs are also recognised as expenses, as incurred.

(v) Workers' Compensation

The University is responsible for payments of workers' compensation claims and is registered with the ReturnToWorkSA as an exempt employer.

The actuarial assessment of the provision for workers' compensation claims has been prepared by Brett & Watson Pty Ltd using the Case Estimation Methodology. This methodology comprises the assessment of individual independent case estimates of all open claims. A separate allowance for incurred but not reported claims (IBNR), unforeseen escalation of the case estimates and re-opening of finalised claims is then made.

(w) Payables

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

(x) Salaries and Related Expenses

Items attributed to salaries and related expenses include salaries and wages, employee entitlements and other costs incidental to the employment of staff such as professional development costs and fringe benefits tax.

(y) Borrowings

Borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period and does not expect to settle the liability for at least 12 months after the end of the reporting period.

(z) Borrowing Costs

Borrowing costs incurred for the construction of buildings are capitalised during the period of time that is required to complete and prepare the building for its intended use. Other borrowing costs are expensed.

(aa) Prior Period Errors and Changes in Accounting Estimates

Change in Accounting Policy

To provide a more accurate view of the University's operations, the accounting treatment of subcontractor and collaborator payments relating to grant income received by the University was changed during 2015. This change in accounting policy resulted in grant income received being recorded on a gross basis within the Statement of Comprehensive Income and the subcontractor and collaborator payments within Teaching and Research expenses. Prior to 2015, the University had recorded the net amount of the grant income and the subcontractor and collaborator payments as Revenue from continuing operations. This change increased Revenue from Continuing Operations by \$17.5M in 2015 and Teaching and research expenses by \$17.5M in the Statement of Comprehensive Income.

Comparatives have been adjusted to reflect the change in accounting policy, increasing the 2014 Revenue from continuing operations by \$21.7M and increasing Teaching and research expenses by \$21.7M

(ab) Rounding

All amounts in this report are rounded to the nearest thousand dollars.

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
4. Revenue from continuing operations					
Received under Higher Education Support Act					
Base operating financial assistance					
Commonwealth Grants Scheme (Commonwealth supported places)		166,431	163,109	166,431	163,109
Institutional Grants Scheme		16,219	15,542	16,219	15,542
Research Training Scheme		32,000	31,914	32,000	31,914
		214,650	210,565	214,650	210,565
Other operating financial assistance					
Other operating financial assistance		7,991	8,165	7,991	8,165
		7,991	8,165	7,991	8,165
Higher Education Contribution Scheme					
HECS-HELP student upfront payments		13,001	13,789	13,001	13,789
Australian Government financial assistance		101,724	98,662	101,724	98,662
		114,725	112,451	114,725	112,451
		337,366	331,181	337,366	331,181
Student fee income includes:					
Fee paying student revenue received					
Award courses					
Australian fee paying undergraduate students		663	797	663	797
Australian fee paying postgraduate students		3,424	4,268	3,424	4,268
International fee paying students		163,293	148,195	163,293	148,195
		167,380	153,260	167,380	153,260
Non award courses					
Continuing education		602	541	602	541
Australian fee paying		7,017	7,065	7,017	7,065
Other teaching service fees		5,656	5,314	5,656	5,314
		13,275	12,920	13,275	12,920
Non-course income					
Student services and amenities fees		2,848	2,686	2,848	2,686
		2,848	2,686	2,848	2,686
		183,503	168,866	183,503	168,866
Australian Government financial assistance					
FEE-HELP		10,556	10,737	10,556	10,737
SA-HELP		3,155	2,884	3,155	2,884
Overseas postgraduate research scholarship		974	988	974	988
		198,188	183,475	198,188	183,475
Learning and teaching grants					
Learning and teaching grants		31,612	35,551	31,612	35,607
		31,612	35,551	31,612	35,607
		229,800	219,026	229,800	219,082

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
4. Revenue from continuing operations - continued					
Investment revenue					
Interest income					
Bank deposits		571	637	353	376
Held-to-maturity bank term investments		3,908	4,575	3,908	4,575
Dividends received		884	533	274	-
Distributions from controlled entities		3	-	1,310	908
Other investment gains and losses					
Net realised gain on endowment fund investments		7,643	7,753	7,643	7,753
Net unrealised gain on endowment fund investments		1,733	11,806	2,112	11,807
Revaluation gain on Education Australia		7,819	1,369	7,819	1,369
Gain on Joint Venture Dissolution		207	-	207	-
Royalties, trademarks and licences		4,669	4,896	2,256	1,938
		27,437	31,569	25,882	28,726
Property revenue					
Rental charges/accommodation fees		11,966	11,709	11,599	11,533
Parking fees		1,908	1,906	1,908	1,906
Building development and maintenance recovery		1,456	1,446	1,456	1,446
Other property revenue		474	718	598	862
		15,804	15,779	15,561	15,747
Specialist services and trading					
Consultancy fees		10,980	10,956	7,529	7,093
Library charges and fines		422	481	422	481
Sale of services		26,159	23,484	8,831	6,972
Sale of goods		3,104	3,375	547	607
Sponsorship and conference income		2,442	1,148	2,442	1,148
Other specialist services and trading		1,931	2,272	1,600	1,897
		45,038	41,716	21,371	18,198
Bequests, donations and other revenue					
Bequests and donations received for:					
Research		2,595	2,265	2,590	2,265
General operational purposes		1,124	1,639	1,124	1,639
		3,719	3,904	3,714	3,904
Prizes and scholarships		1,276	1,351	1,276	1,351
Recharge of costs to other organisations		740	1,278	515	1,098
Application management and late fees		1,352	1,390	1,352	1,390
Franchise fees		2,258	1,946	2,258	1,946
Insurance claim recovery		34	2,082	34	2,082
Salary recharges		2,336	917	2,336	917
AusAid Scholarships & stipends		6,396	6,359	6,396	6,359
Net foreign exchange gain		-	459	-	459
Reversal of impairment of other buildings		1,033	-	1,033	-
Net gain on disposal of assets		7,247	-	7,270	-
Other revenue		13,453	15,617	8,069	10,597
		39,844	35,303	34,253	30,103
Share of other comprehensive income of associates and joint ventures accounted for using the equity method					
Joint ventures	36	(407)	(115)	-	-
Associates	34	59	393	-	-
		(348)	278	-	-

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
5. Expenses from continuing operations					
Salaries and related expenses					
Salaries and related expenses - Academic					
Salaries		191,352	189,100	191,352	189,100
Contributions to superannuation and pension schemes					
Contributions to funded schemes		29,850	29,761	29,850	29,761
Contributions to unfunded schemes		87	87	87	87
Payroll tax		12,758	11,961	12,758	11,961
Annual leave		14,258	14,928	14,258	14,928
Long service leave		4,443	4,289	4,443	4,289
Workers' compensation		276	227	276	227
Other		7,709	6,155	7,616	6,064
Total academic salaries and related expenses		260,733	256,508	260,640	256,417
Salaries and related expenses - Non-academic					
Salaries		167,271	165,944	153,831	152,489
Contributions to superannuation and pension schemes					
Contributions to funded schemes		25,911	25,680	24,473	24,242
Contributions to unfunded schemes		71	71	71	71
Payroll tax		10,822	10,045	10,482	9,697
Annual leave		12,505	12,241	11,928	11,837
Long service leave		3,070	3,339	2,925	3,090
Workers' compensation		374	298	374	298
Other		6,010	4,669	5,984	4,627
Total non-academic salaries and related expenses		226,034	222,287	210,068	206,351
Total salaries and related expenses		486,767	478,795	470,708	462,768
Teaching and research					
Agriculture, animals and cropping		1,832	1,729	1,832	1,729
Books, subscriptions and printed material		8,745	8,323	8,745	8,309
Laboratory expenses		18,227	18,355	18,786	17,352
Research transfer to other institutions		30,621	33,456	31,634	36,179
Other teaching and research		30,455	30,465	30,455	30,465
		89,880	92,328	91,452	94,034
Buildings and grounds					
Cleaning and security		9,616	9,631	9,225	9,261
Property maintenance		22,764	19,747	22,566	19,571
Building leases and rent		17,477	15,611	17,092	15,220
Utilities		13,932	14,369	13,680	14,224
		63,789	59,358	62,563	58,276

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
5. Expenses from continuing operations - continued					
Finance costs					
Interest		4,814	5,879	4,919	5,996
Finance charges		354	463	354	463
		5,168	6,342	5,273	6,459
Administration, communication and travel					
Consultants & specialist services		25,768	20,957	20,415	16,174
Fees & licenses		16,582	15,345	16,538	15,314
Insurance		2,949	3,073	2,815	2,915
Administration & communication		56,427	57,672	13,362	13,060
Publicity and fundraising		4,736	4,604	4,449	4,317
Travel, accommodation & entertainment		23,861	23,867	23,747	23,648
		130,323	125,518	81,326	75,428
Finance and fund administration					
Bad and doubtful debts					
Student loans		(11)	(11)	(11)	(11)
Student tuition		32	122	32	122
Other debtors		141	210	141	208
		162	321	162	319
Management and merchant fees		1,334	1,016	1,334	1,016
Fringe benefit tax payments		1,217	1,190	1,217	1,190
Other		46	48	46	48
		2,759	2,575	2,759	2,573
Misc equip, dep'n and net loss on disposal of assets includes:					
Amortisation of intangible assets					
Software		7,370	6,520	7,370	6,520
Amortisation	3(s)				
Leasehold improvements		2,222	2,890	2,211	2,880
		9,592	9,410	9,581	9,400
Depreciation	3(s)				
Buildings		23,853	24,277	23,780	24,204
Plant, equipment and motor vehicles		13,590	11,867	12,989	11,268
Library collection		2,179	2,167	2,179	2,167
		39,622	38,311	38,948	37,639
		49,214	47,721	48,529	47,039
Non-capitalised equipment		10,697	13,045	10,697	13,045
Net loss on disposal of assets		-	1,300	-	1,300
Impairment loss on non-current assets held for sale		79	716	79	716
Unrealised loss on investment properties		-	261	-	261
		59,990	63,043	59,305	62,361

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
6. Cash and Cash Equivalents	3(j)				
Cash at bank or on hand		20,713	36,601	14,591	30,457
Short term deposits at call		33,223	15,029	31,300	11,000
		53,936	51,630	45,891	41,457

The University invested its surplus working capital into bank term investments (2015: \$60.0 million, 2014: \$90.2 million). These bank term investments have been reported as Financial Assets held-to-maturity in Note 8. As a result these funds are not reported within Cash and Cash Equivalents or within the Statement of Cash Flows.

7. Receivables	3(i)				
Current					
Student tuition fees		4,261	5,652	4,261	5,652
Less: provision for impaired receivables		(251)	(235)	(251)	(235)
		4,010	5,417	4,010	5,417
Trade debtors		17,663	20,832	16,018	19,986
Less: provision for impaired receivables		(351)	(293)	(50)	(178)
		17,312	20,539	15,968	19,808
Sundry debtors and accrued income		22,757	7,442	22,757	7,442
Less: provision for impaired receivables		(2,128)	(1,965)	(2,128)	(1,965)
		20,629	5,477	20,629	5,477
Student loans		145	174	145	174
Less: provision for impaired receivables		(99)	(128)	(99)	(128)
		46	46	46	46
		41,997	31,479	40,653	30,748

(a) Impaired receivables

As at 31 December 2015 current receivables of the group with a nominal value of \$2.8 million (2014: \$2.6 million) were impaired. The amount of the provision was \$2.8 million (2014: \$2.6 million). The individually impaired receivables relate to outstanding trade, sundry and student debtors.

The ageing of impaired receivables is as follows:

0 to 3 months	102	88	102	88
3 to 6 months	58	146	58	146
6 to 12 months	2,669	2,387	2,368	2,272
Total current impaired receivables	2,829	2,621	2,528	2,506

As at 31 December 2015 current receivables of the group of \$42.0 million (2014: \$31.5 million) were not impaired. These receivables mainly relate to a number of Government agencies and independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

0 to 3 months	36,525	25,322	35,956	25,404
3 to 6 months	4,697	5,294	4,410	4,682
6 to 12 months	775	863	287	662
Total past due but not impaired current receivables	41,997	31,479	40,653	30,748

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
7. Receivables - continued					
(a) Impaired receivables - continued					
The movement in the provision for impaired receivables is as follows:					
At 1 January		2,621	2,424	2,506	2,341
Net provision for impairment recognised/(reversed) during the year		81	163	(113)	104
Receivables written off during the year as uncollectible		127	34	135	61
At 31 December		2,829	2,621	2,528	2,506

The creation and release of the provision for impaired receivables has been included in 'Finance and fund administration' in the Statement of Comprehensive Income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. The other amounts within receivables do not contain impaired assets and it is expected that these amounts will be received in full.

8. Other Financial Assets

Current

Other loans		92	105	147	160
Held-to-maturity - bank term investments		60,265	90,672	60,000	90,156
		60,357	90,777	60,147	90,316

Non-current

Fair value through profit or loss (held for trading)

Endowment Fund - external fund managers	3(k)	248,929	238,919	248,926	238,919
Other shares		16,196	9,671	9,552	2,945
Total fair value through profit or loss (held for trading)		265,125	248,590	258,478	241,864

Other loans		122	214	177	324
Total non-current other financial assets		265,247	248,804	258,655	242,188

Held-to-maturity - bank term investments

The University invests its surplus working capital into bank term investments and these bank term investments have been reported as Financial Assets held-to-maturity. As a result these funds are not reported within Cash and Cash Equivalents in Note 6 or within the Statement of Cash Flows.

Endowment Fund

The University holds investments arising from donations and bequests for the purpose of funding scholarships, prizes and research. These funds are invested with external fund managers in unlisted managed investment schemes.

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
9. Derivative Financial Instruments					
Current Assets					
Foreign currency swap contracts - cash flow hedges		2	-	2	-
Non-Current Liabilities					
Interest rate swap contracts - cash flow hedges		15,706	17,080	15,706	17,080
During 2007 the University entered into nine \$10.0 million forward start interest rate swaps (totalling \$90.0 million), to manage its interest rate exposures on planned borrowings for its North Terrace Development Strategy. The swaps commenced in February 2010 and amortise on a straight line basis over twenty years. The University is obligated to pay a fixed interest rate of 6.65%. These interest rate swaps are effective hedges and the fair value of these hedges are recorded as a non-current liability. During the year the University entered into foreign currency swaps totalling \$3.6 million (2014: \$3.6 million) to manage USD foreign currency exposures. These foreign currency swaps were effective hedges and the fair value of these hedges were recorded as a current asset. The swap contracts were delivered when due with \$0.04 million (2014: \$nil) remaining in existence as at 31 December 2015.					
10. Inventories	3(o)				
Consumable materials and trading stock		1,666	1,842	684	899
Livestock		356	321	-	-
Provision for obsolescence		(50)	(70)	(50)	(70)
		<u>1,972</u>	<u>2,093</u>	<u>634</u>	<u>829</u>
The University wrote down inventories by \$0.02 million during the year ended 31 December 2015 (2014: \$0.06 million) on identification of obsolete and overvalued items.					
11. Other Non-Financial Assets					
Current					
Prepayments		8,931	9,536	8,881	9,472
Accrued income		2,609	3,427	2,526	3,304
		<u>11,540</u>	<u>12,963</u>	<u>11,407</u>	<u>12,776</u>
Non-current					
Prepayments		7,899	8,141	7,899	8,141
Total Other Non-Financial Assets		<u>19,439</u>	<u>21,104</u>	<u>19,306</u>	<u>20,917</u>
12. Non-current Assets Classified as Held for Sale	3(q)				
Current					
Land held for sale		19,901	39,144	19,901	39,144
Buildings held for sale		2,699	6,994	2,699	6,994
		<u>22,600</u>	<u>46,138</u>	<u>22,600</u>	<u>46,138</u>
Non-current Assets held for sale are stated at the lower of the carrying amount and the fair value less costs to sell. For the fair value of the non-current assets refer to Note 32. The University intends to dispose of the land and buildings held for sale within the next 12 months.					
13. Investments Accounted for Using the Equity Method	3(n)				
Investments in associates	34				
At cost		-	-	-	-
Equity accounted		452	393	-	-
Interests in joint ventures	36				
At cost		-	-	972	491
Equity accounted		1,669	1,595	-	-
		<u>2,121</u>	<u>1,988</u>	<u>972</u>	<u>491</u>
14. Available-for-sale Financial Assets					
Non-current					
Investments in controlled entities	33	-	-	22,366	25,562

15. Property, Plant and Equipment

Consolidated	Trust Land	Other Land	Trust Buildings	Other Buildings	WIP	Leasehold Improvements	Library Collections	Works of Art	Plant and Equipment	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
As at 1 January 2014										
Cost	-	-	-	-	15,878	17,265	-	15	162,512	195,670
Valuation	150,294	72,329	760,259	73,476	-	-	21,662	7,655	-	1,085,675
Accumulated depreciation/amortisation	-	-	-	-	-	(9,111)	-	-	(100,584)	(109,695)
Net book amount	150,294	72,329	760,259	73,476	15,878	8,154	21,662	7,670	61,928	1,171,650
Year ended 31 December 2014										
Opening net book amount	150,294	72,329	760,259	73,476	15,878	8,154	21,662	7,670	61,928	1,171,650
Additions	-	-	-	-	59,329	-	1,195	44	13,508	74,076
Assets included in a disposal group classified as held for sale and other disposals	-	(21,187)	-	(6,015)	-	-	(810)	-	(758)	(28,770)
Revaluation surplus/(deficit)	-	-	-	-	-	-	-	54	-	54
Transfers	530	-	17,533	1,400	(39,336)	4,489	-	-	7,170	(8,214)
Depreciation/amortisation	-	-	(22,040)	(2,237)	-	(2,890)	(2,167)	-	(11,867)	(41,201)
Closing net book amount	150,824	51,142	755,752	66,624	35,871	9,753	19,880	7,768	69,981	1,167,595
As at 31 December 2014										
Cost	-	-	17,485	1,400	35,871	20,405	1,195	-	180,912	257,268
Valuation	150,824	51,142	760,307	67,257	-	-	20,852	7,768	-	1,058,150
Accumulated depreciation/amortisation	-	-	(22,040)	(2,033)	-	(10,652)	(2,167)	-	(110,931)	(147,823)
Net book amount	150,824	51,142	755,752	66,624	35,871	9,753	19,880	7,768	69,981	1,167,595

15. Property, Plant and Equipment - continued

Consolidated	Trust Land \$000	Other Land \$000	Trust Buildings \$000	Other Buildings \$000	WIP Improvements \$000	Leasehold Improvements \$000	Library Collections \$000	Works of Art \$000	Plant and Equipment \$000	Total \$000
Year ended 31 December 2015										
Opening net book amount as at 1/1/2015	150,824	51,142	755,752	66,624	35,871	9,753	19,880	7,768	69,981	1,167,595
Additions	-	-	-	-	100,553	-	876	78	14,332	115,839
Assets included in a disposal group classified as held for sale and other disposals	-	(1,197)	-	-	(123)	(35)	(436)	(45)	(939)	(2,775)
Revaluation surplus/(deficit)	-	-	-	-	-	-	-	-	(24)	(24)
Impairment loss reversals	-	-	-	1,033	-	-	-	-	-	1,033
Transfers	-	-	27,512	2,683	(44,876)	2,697	-	-	2,322	(9,662)
Depreciation/amortisation	-	-	(21,840)	(2,013)	-	(2,222)	(2,179)	-	(13,588)	(41,842)
Closing net book amount	150,824	49,945	761,424	68,327	91,425	10,193	18,141	7,801	72,084	1,230,164
As at 31 December 2015										
Cost	-	-	44,997	4,083	91,425	22,903	1,261	78	189,219	353,966
Valuation	150,824	49,945	760,307	68,290	-	-	21,226	7,723	-	1,058,315
Accumulated depreciation/amortisation	-	-	(43,880)	(4,046)	-	(12,710)	(4,346)	-	(117,135)	(182,117)
Net book amount	150,824	49,945	761,424	68,327	91,425	10,193	18,141	7,801	72,084	1,230,164

15. Property, Plant and Equipment - continued

University	Trust Land \$000	Other Land \$000	Trust Buildings \$000	Other Buildings \$000	WIP \$000	Leasehold Improvements \$000	Library Collections \$000	Works of Art \$000	Plant and Equipment \$000	Total \$000
As at 1 January 2014										
Cost	-	-	-	-	15,878	15,790	-	15	154,664	186,347
Valuation	150,294	70,584	760,259	66,221	-	-	21,662	7,655	-	1,076,675
Accumulated depreciation/amortisation	-	-	-	-	-	(7,724)	-	-	(96,109)	(103,833)
Net book amount	150,294	70,584	760,259	66,221	15,878	8,066	21,662	7,670	58,555	1,159,189
Year ended 31 December 2014										
Opening net book amount	150,294	70,584	760,259	66,221	15,878	8,066	21,662	7,670	58,555	1,159,189
Additions	-	-	-	-	59,329	-	1,195	44	12,707	73,275
Assets included in a disposal group classified as held for sale and other disposals	-	(21,187)	-	(6,015)	-	-	(810)	-	(798)	(28,810)
Revaluation surplus/(deficit)	-	-	-	-	-	-	-	54	-	54
Transfers	530	-	17,533	1,400	(39,336)	4,489	-	-	7,170	(8,214)
Depreciation/amortisation	-	-	(22,040)	(2,164)	-	(2,880)	(2,167)	-	(11,268)	(40,519)
Closing net book amount	150,824	49,397	755,752	59,442	35,871	9,675	19,880	7,768	66,366	1,154,975
As at 31 December 2014										
Cost	-	-	17,485	1,400	35,871	20,279	1,195	-	172,222	248,452
Valuation	150,824	49,397	760,307	60,002	-	-	20,852	7,768	-	1,049,150
Accumulated depreciation/amortisation	-	-	(22,040)	(1,960)	-	(10,604)	(2,167)	-	(105,856)	(142,627)
Net book amount	150,824	49,397	755,752	59,442	35,871	9,675	19,880	7,768	66,366	1,154,975

15. Property, Plant and Equipment - continued

University	Trust Land \$000	Other Land \$000	Trust Buildings \$000	Other Buildings \$000	WIP \$000	Leasehold Improvements \$000	Library Collections \$000	Works of Art \$000	Plant and Equipment \$000	Total \$000
Year ended 31 December 2015										
Opening net book amount as at 1/1/2014	150,824	49,397	755,752	59,442	35,871	9,675	19,880	7,768	66,366	1,154,975
Additions	-	-	-	-	100,553	-	876	78	13,879	115,386
Assets included in a disposal group classified as held for sale and other disposals	-	(1,197)	-	-	(123)	(35)	(436)	(45)	(480)	(2,316)
Impairment loss reversals	-	-	-	1,033	-	-	-	-	-	1,033
Transfers	-	-	27,512	2,683	(44,876)	2,697	-	-	2,322	(9,662)
Depreciation/amortisation	-	-	(21,840)	(1,941)	-	(2,211)	(2,179)	-	(12,989)	(41,160)
Closing net book amount	150,824	48,200	761,424	61,217	91,425	10,126	18,141	7,801	69,098	1,218,256
As at 31 December 2015										
Cost	-	-	44,997	4,083	91,425	22,777	1,261	78	180,621	345,242
Valuation	150,824	48,200	760,307	61,035	-	-	21,226	7,723	-	1,049,315
Accumulated depreciation/amortisation	-	-	(43,880)	(3,901)	-	(12,651)	(4,346)	-	(111,523)	(176,301)
Net book amount	150,824	48,200	761,424	61,217	91,425	10,126	18,141	7,801	69,098	1,218,256

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
16. Investment Property					
Balance at the beginning of the year		-	20,402	-	20,402
Transfer from WIP		-	-	-	-
Transfer (to)/from land and buildings		-	(579)	-	(579)
Transfer to non-current assets held for sale	12	-	(19,562)	-	(19,562)
Net gain (loss) from fair value adjustments		-	(261)	-	(261)
Balance at the end of the year		-	-	-	-

(a) Amount recognised in income statement for investment property

The University has recognised \$nil (2014: \$1.9 million) of rental income from investment properties within the Statement of Comprehensive Income. Any direct operating expenses from generating rental income are included within the Statement of Comprehensive Income and are immaterial.

(b) Valuation basis

The basis of valuation of investment properties is fair value being the price that would be received to sell the properties in an orderly transaction between market participants at the valuation date.

An independent valuation of investment properties was carried out by Ms Andrea Carolan, FAPI, BAppSc (Val) Certified Practising Valuer and Mr Graham Martin, AAPI, B. Bus Property (Val) Certified Practising Valuer of Maloney Field Services on 30 November 2014 prior to the properties being transferred to non current assets held for sale.

(c) Non-current assets pledged as security

No non-current assets have been pledged.

(d) Contractual obligations

There are no capital commitments for investment properties.

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
17. Intangible Assets	3(f)				
Non-current					
As at 1 January 2014					
Cost		44,509		44,509	
Accumulated amortisation and impairment		(29,155)		(29,155)	
Net book amount		<u>15,354</u>		<u>15,354</u>	
Year ended 31 December 2014					
Opening net book amount		15,354		15,354	
Additions - Internal development		380		380	
Transfer from WIP		8,793		8,793	
Amortisation charge		(6,520)		(6,520)	
Closing net book amount		<u>18,007</u>		<u>18,007</u>	
As at 1 January 2015					
Cost		53,682		53,682	
Accumulated amortisation and impairment		(35,675)		(35,675)	
Net book amount		<u>18,007</u>		<u>18,007</u>	
Year ended 31 December 2015					
Opening net book amount		18,007		18,007	
Additions		431		431	
Disposals					
Transfer from WIP		9,662		9,662	
Amortisation charge		(7,370)		(7,370)	
Closing net book amount		<u>20,730</u>		<u>20,730</u>	
As at 31 December 2015					
Cost		63,340		63,340	
Accumulated amortisation and impairment		(42,610)		(42,610)	
Net book amount		<u>20,730</u>		<u>20,730</u>	
18. Payables					
Current					
Accounts payable		54,263	51,894	49,548	46,623
Annual and long service leave oncosts	22	4,682	4,439	4,526	4,298
Accruals		5,840	5,320	2,628	1,929
Salary and related expenses payable		10,448	8,656	10,445	8,653
OS-HELP Liability to Australian Government		1,305	290	1,305	290
		<u>76,538</u>	<u>70,599</u>	<u>68,452</u>	<u>61,793</u>
Non-current					
Annual and long service leave oncosts	22	11,737	10,876	11,721	10,824
		<u>11,737</u>	<u>10,876</u>	<u>11,721</u>	<u>10,824</u>
Total Payables		<u>88,275</u>	<u>81,475</u>	<u>80,173</u>	<u>72,617</u>
19. Borrowings					
Current					
Interest bearing borrowings		<u>5,000</u>	<u>5,006</u>	<u>5,000</u>	<u>5,006</u>
Non-current					
Interest bearing borrowings		<u>46,510</u>	<u>72,518</u>	<u>46,510</u>	<u>72,518</u>
Total Borrowings		<u>51,510</u>	<u>77,524</u>	<u>51,510</u>	<u>77,524</u>

The University maintains an unsecured \$20 million Multi-Option Facility (as a standby working capital facility) and a further unsecured Revolving Facility which has a limit of \$72.5 million. As at 31 December 2015 the standby working capital facility has not been drawn and \$51.5 million of the Revolving Facility drawn.

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
20. Provisions					
Current					
Workers' compensation provision		376	401	376	401
Annual and long service leave	22	25,162	23,507	23,917	22,362
Insurance provision		2,412	2,389	2,412	2,389
		27,950	26,297	26,705	25,152
Non-current					
Workers' compensation provision		359	455	358	455
Annual and long service leave	22	55,610	53,676	55,458	53,277
Defined benefit fund net liability	27(c)	8,360	8,082	8,360	8,082
		64,329	62,213	64,176	61,814
Total Provisions		92,279	88,510	90,881	86,966
		Workers' compensation provision	Annual and long service leave	Insurance Provision	Defined benefit fund net liability
		\$000	\$000	\$000	\$000
Movements in provisions					
Consolidated - current					
Carrying amount at start of year		401	23,507	2,389	-
Additional/(reductions in) provisions recognised		(25)	1,655	23	-
Carrying amount at the end of the year		376	25,162	2,412	-
Consolidated - non-current					
Carrying amount at start of year		455	53,676	-	8,082
Additional/(reductions in) provisions recognised		(96)	1,934	-	278
Carrying amount at the end of the year		359	55,610	-	8,360
Movements in provisions					
University - current					
Carrying amount at start of year		401	22,362	2,389	-
Additional/(reductions in) provisions recognised		(25)	1,555	23	-
Carrying amount at the end of the year		376	23,917	2,412	-
University - non-current					
Carrying amount at start of year		455	53,277	-	8,082
Additional/(reductions in) provisions recognised		(97)	2,181	-	278
Carrying amount at the end of the year		358	55,458	-	8,360

Workers' compensation provision

Provision is made based on an actuarial assessment of workers' compensation estimated claims liability for future years. Refer to policy Note 3(v) Workers' Compensation.

Annual and long service leave

Provision is made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Refer to policy Note 3(h) Employee Benefits.

Insurance provision

Provision has been made for the actuarial assessment of future liability to the University for losses incurred prior to 31 December 2015 that were expected to be paid subsequent to 1 January 2016 and are below the University deductible in the University insurance policies.

Defined benefit fund net liability

Provision is made for the Super Scheme A 1985 defined benefit obligation in accordance with AASB 119 Employee Benefits. Refer to Note 3(h) Employee Benefits and Note 27(c) The University of Adelaide Super Scheme A 1985.

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
21. Other Liabilities					
Current					
Outside funded positions		770	144	770	144
Income in advance		1,538	1,258	754	489
Student tuition fees received in advance		11,863	12,197	11,863	12,197
Residential bonds		356	315	356	315
Employee benefits – separation packages		4,080	2,635	3,808	2,635
Funds held on deposit for controlled entities		-	-	3,592	4,987
Other		2,342	1,001	2,342	964
		20,949	17,550	23,485	21,731
Non-Current					
Other		1,555	-	1,555	-
		1,555	-	1,555	-
Total Other Liabilities		22,504	17,550	25,040	21,731

22. Employee Benefits and Related On-Cost Liabilities

In accordance with the requirements of AASB 119 "Employee Benefits", employee on-costs are required to be reported as payables whilst leave liability amounts are reported separately in Note 20. Below is a composite note disclosure showing the total liabilities the Consolidated Entity has as at 31 December 2015 relating to employee benefits:

Annual Leave

On-costs included in payables - current	18	3,408	3,380	3,356	3,324
Employee benefits - current	20	18,802	18,087	18,342	17,537
		22,210	21,467	21,698	20,861
On-costs included in payables - non-current	18	1,430	1,370	1,421	1,366
Employee benefits - non-current	20	7,696	7,293	7,615	7,259
		9,126	8,663	9,036	8,625

Long Service Leave

On-costs included in payables - current	18	1,274	1,059	1,170	974
Employee benefits - current	20	6,360	5,420	5,575	4,825
		7,634	6,479	6,745	5,799
On-costs included in payables - non-current	18	10,307	9,506	10,300	9,458
Employee benefits - non-current	20	47,914	46,383	47,843	46,018
		58,221	55,889	58,143	55,476
		97,191	92,498	95,622	90,761

23. Retained Surplus and Reserves

23(a) Summary

Capital reserves

Capital reserve	2,971	2,971	-	-
Capital profits reserve	1,481	1,481	-	-
Asset revaluation surplus	295,592	295,592	295,342	295,342
Initial asset recognition reserve	279,124	279,124	279,124	279,124
Available-for-sale financial assets revaluation reserve	-	-	22,366	25,562
	579,168	579,168	596,832	600,028

Specific purpose reserves

Special reserve	319,937	308,826	319,937	308,826
Bequests/donations unspent income reserve	7,129	7,511	7,129	7,511
Restricted purpose bequest capital reserve	172,571	169,730	172,571	169,730
Endowment fund revaluation reserve	108,719	99,032	108,719	99,032
	608,356	585,099	608,356	585,099

Retained surplus	260,770	233,211	241,714	210,583
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	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
23. Reserves - continued					
23(b) Movements in reserves					
Capital reserve					
Opening balance		2,971	2,971	-	-
Current year movement		-	-	-	-
Closing balance		<u>2,971</u>	<u>2,971</u>	<u>-</u>	<u>-</u>
Capital profits reserve					
Opening balance		1,481	1,481	-	-
Current year movement		-	-	-	-
Closing balance		<u>1,481</u>	<u>1,481</u>	<u>-</u>	<u>-</u>
Asset revaluation surplus					
Opening balance		295,592	295,538	295,342	295,288
Add revaluation increment on property, plant and equipment		-	54	-	54
Closing balance		<u>295,592</u>	<u>295,592</u>	<u>295,342</u>	<u>295,342</u>
Initial asset recognition reserve					
Opening balance		279,124	279,124	279,124	279,124
Current year movement		-	-	-	-
Closing balance		<u>279,124</u>	<u>279,124</u>	<u>279,124</u>	<u>279,124</u>
Available-for-sale financial assets revaluation reserve					
Opening balance		-	-	25,562	26,926
Current year movement		-	-	(3,196)	(1,364)
Closing balance		<u>-</u>	<u>-</u>	<u>22,366</u>	<u>25,562</u>
Special reserve					
Opening balance		308,826	287,423	308,826	287,423
Transfer from retained surplus		11,111	21,403	11,111	21,403
Closing balance		<u>319,937</u>	<u>308,826</u>	<u>319,937</u>	<u>308,826</u>
Bequests/donations unspent income reserve					
Opening balance		7,511	6,631	7,511	6,631
Transfer (to) / from retained surplus		(382)	880	(382)	880
Closing balance		<u>7,129</u>	<u>7,511</u>	<u>7,129</u>	<u>7,511</u>
Restricted purpose bequest capital reserve					
Opening balance		169,730	163,937	169,730	163,937
Transfer from retained surplus		2,841	5,793	2,841	5,793
Closing balance		<u>172,571</u>	<u>169,730</u>	<u>172,571</u>	<u>169,730</u>
Endowment fund revaluation reserve					
Opening balance		99,032	79,471	99,032	79,471
Transfer (to) / from retained surplus		9,687	19,561	9,687	19,561
Closing balance		<u>108,719</u>	<u>99,032</u>	<u>108,719</u>	<u>99,032</u>

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
23. Reserves - continued					
23(c) Nature and purpose of reserves					
Capital reserve					
Represents capital accounts held within controlled entities of the University.					
Capital profits reserve					
Represents the accumulation of realised revalued increments of assets sold.					
Asset revaluation surplus					
Is used to record increments and decrements on the revaluation of non-current assets. Refer accounting policy note 3(p).					
Initial asset recognition reserve					
Represents the equity impact arising from the recognition of assets which until the first time the University prepared a set of accrual financial statements, had not previously been recognised.					
Available for sale financial assets revaluation reserve					
Is used to record increments and decrements on the revaluation of available for sale financial assets. Refer accounting policy note 3(k).					
Specific purpose reserves					
Represents a number of reserves generated through a series of specific purpose transactions, that can only be used in accordance with the attributes of the generating transactions. The special reserve is created for surplus funds which will be specifically acquitted in future accounting periods.					
24. Reconciliation of net cash provided by operating activities to net operating result					
Net operating result		50,261	53,078	53,001	54,430
Add/(subtract) non cash items					
Amortisation	5	9,592	9,410	9,581	9,400
Depreciation	5	39,622	38,311	38,948	37,639
Write down / (up) of investments		(15,955)	(20,745)	(16,334)	(20,746)
Other revenue/expenses		18,119	(4,908)	16,537	(4,990)
Reversal of impairment of other buildings	4	(1,033)	-	(1,033)	-
Impairment loss on non-current assets held for sale	5	79	716	79	716
Funds held on deposit		-	-	1,500	-
(Profit)/loss on sale of property, plant and equipment		(12,526)	1,300	(12,549)	1,300
Changes in assets/liabilities					
(Increase)/decrease in inventories		121	349	195	154
(Increase)/decrease in receivables		(10,518)	(1,440)	(9,905)	(2,637)
(Increase)/decrease in other assets		1,665	(5,660)	1,611	(5,644)
Increase/(decrease) in payables		6,804	10,645	7,556	11,670
Increase/(decrease) in other liabilities		3,399	1,831	3,309	1,910
Increase/(decrease) in provisions		3,769	6,174	3,915	5,973
Net cash provided by operating activities		93,399	89,061	96,411	89,175

		Consolidated		University	
		2015	2014	2015	2014
	Note	\$000	\$000	\$000	\$000
25. Commitments					
Operating expenditure					
Contracted but not provided for and payable:					
Within one year		20,923	25,948	20,418	25,308
Between one and five years		12,239	21,639	12,239	20,756
Later than five years		-	-	-	-
Total operating expenditure commitments		33,162	47,587	32,657	46,064
Capital commitments					
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:					
Property, plant and equipment					
Within one year		137,648	55,149	137,648	55,149
Between one and five years		-	1,870	-	1,870
Later than five years		-	-	-	-
Total capital commitments		137,648	57,019	137,648	57,019
Lease commitments					
Operating Leases					
The operating lease commitments primarily relate to leases of photocopiers, computers, office equipment and office space.					
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:					
Within one year		8,579	10,384	8,579	10,384
Between one and five years		18,784	12,767	18,784	12,767
Later than five years		4,847	5,360	4,847	5,360
Total future minimum lease payments		32,210	28,511	32,210	28,511

26. Contingencies

(a) Guarantees

The University in 1997 provided a \$120,000 guarantee to the Commonwealth Government, Department of Human Services, for an interest free, 20 year loan of \$126,000 to be used for the construction of the Observatory Child Care Centre. In 2009 the original guarantee of \$120,000 was cancelled and a new guarantee for the amount of \$46,000 was issued to reflect the reduction in the outstanding loan balance. During 2015 the loan was repaid in full and the bank guarantee cancelled.

On July 1 2006 the University ceased to be a Crown exempt employer and was required to register as an exempt employer with ReturnToWorkSA and provide a bank guarantee to cover projected workers' compensation outstanding claims liabilities. Currently, the University has provided a \$1.8 million bank guarantee to ReturnToWorkSA. The amount of the guarantee was based on an actuarial assessment of the projected workers' compensation claims liabilities. In May 2013 the University was advised by the then titled WorkCover Corporation that it had approved a self-insurance renewal for a period of three years from 1 July 2013.

(b) Superannuation

(i) The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)

The University has guaranteed that members of this superannuation scheme will receive defined benefits in the event that this closed scheme has insufficient assets to meet the benefits. Employer contributions of 14% of salaries recommenced on actuarial advice as from 1 January 2003 to ensure there are sufficient assets in the scheme to meet expected future liabilities of remaining members. Refer to Note 27(c).

(ii) UniSuper Limited Superannuation Schemes

Refer to Note 27(b).

(c) Litigation

In the ordinary course of its operations, the University and its controlled entities become involved in legal disputes. At the date of adoption of these financial statements, some matters remain outstanding. On legal advice, the University is of the opinion that no material losses are likely to arise. Notwithstanding the fact the University is of the opinion that no material losses are likely to arise, an action has been served upon one of the University's Controlled Entities, Adelaide Unicare, which is subject to a process of confidential mediation. The outcome of this mediation process may have an impact on the carrying value of both the University available-for-sale financial assets and the net assets recognised in the University Consolidated Financial Statements. The University or its controlled entities will make a provision where a material loss is identified. Claims of an insurance nature have been covered by a provision of \$2.4 million to the extent that such claims are not covered by the University's comprehensive insurance program. Refer Note 20.

27. Superannuation Schemes

(a) Categories

The University contributes to a range of superannuation schemes, which are divided into the following categories:

- (i) Those operative and open to membership:
 - UniSuper Defined Benefit Plan or Accumulation Super 2
 - Accumulation Super 1
- (ii) Those operative but closed to future membership:
 - The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)
- (iii) State Government Schemes closed to future membership by University employees:
 - State Pension Scheme
 - State Lump Sum Scheme

(b) UniSuper Limited Superannuation Schemes

The employees' UniSuper plan is determined by the terms of employment and is administered by UniSuper Management Pty Ltd with UniSuper Ltd as the trustee.

The employer contribution rate during 2015 for employees in either the Defined Benefit Division or Accumulation Super 2 was 14% of salaries plus 3% of salaries. The contribution to the Accumulation Super 1 and for employees only in the Accumulation Super 1 was 9.5% of salaries.

The operation of Clause 34 of the Trust Deed (as amended in 2006) means that the UniSuper Defined Benefit Division is a defined contribution fund for the purpose of AASB 119, allowing participating employers to treat the UniSuper Defined Benefit Division as a defined contribution fund.

While remaining a defined benefits plan under superannuation law, the change in the UniSuper Trust Deed effectively alters the nature of the scheme to a defined contribution scheme under AASB 119.

Clause 34 states that where the trustee considers the assets to be insufficient to provide benefits payable under the Deed, the Trustee must consider reducing the benefits of its members on a fair and equitable basis.

Clause 34 was initiated following the 31 December 2008, 30 June 2011, 30 June 2012 and 30 June 2013 actuarial investigations.

Following the end of the monitoring period commenced in relation to the 31 December 2008 actuarial investigation, the UniSuper Limited Board made a decision not to reduce accrued benefits but to reduce the rate at which benefits accrue in respect of the DBD membership after 1 January 2015.

Following the end of the monitoring period commenced in relation to the 30 June 2011 actuarial investigation, the Fund's actuary advised that the Trustee is not required to take any further action under Clause 34 in relation to that monitoring period, and that the monitoring period is now ceased.

As set out under paragraph 28 of AASB119 a defined contribution plan is a plan where the employer's legal or constructive obligation is limited to the amount it agrees to contribute to the fund and the actuarial risk and investment risk fall on the employee.

As at 30 June 2015 the assets of the Defined Benefit Division in aggregate were estimated to be \$1,479 million (30 June 2014: \$271 million) above vested benefits after allowing for various reserves. The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving the service of the participating institution) and include the value of indexed pensions being provided by the Defined Benefit Division.

As at 30 June 2015 the assets of the Defined Benefit Division in aggregate were estimated to be \$3,377 million (30 June 2014: \$2,071 million) above accrued benefits after allowing for various reserves. The accrued benefits have been calculated as the present value of expected future benefit payments to members and indexed pensioners which arise from membership of UniSuper up to the reporting date.

The vested benefit and accrued benefit liabilities were determined by Ms Kate Maartensz and Mr Bill Buttler, Fellows of the Institute of Actuaries of Australia, using the actuarial demographic assumptions outlined in their report on the actuarial investigation of the Defined Benefit Division as at 30 June 2015. The financial assumptions used were:

	Vested Benefits	Accrued Benefits
Gross of tax investment return - Defined Benefit Division pensions	6.10% p.a.	7.80% p.a.
Gross of tax investment returns - commercial rate indexed pensions	3.70% p.a.	3.70% p.a.
Net of tax investment return - non pensioner members	5.50% p.a.	7.00% p.a.
Consumer Price Index	2.75% p.a.	2.75% p.a.
Inflationary salary increases long term	3.75% p.a.	3.75% p.a.

Assets have been included at their net market value, that is, after allowing for realisation costs.

27. Superannuation Schemes – continued

(c) The University of Adelaide Superannuation Scheme A 1985

The University of Adelaide Superannuation Scheme A 1985 (Scheme) is a defined benefit plan in accordance with AASB 119 Employee Benefits that provides superannuation benefits for employees who had not transferred to UniSuper. The Trustee and administrator of the Scheme is Tidswell Financial Services Ltd. The Scheme is governed by a separate trust deed and the general laws relating to trusts and superannuation.

Nature of the benefits provided by the Scheme

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. Some defined benefit members are also eligible for pension benefits in some cases. The defined benefit section of the Scheme is closed to new members. All new members receive accumulation only benefits.

Description of the regulatory framework

The Superannuation Industry (Supervision) (SIS) legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions unless an exemption has been obtained from the Australian Prudential Regulation Authority.

Description of other entities' responsibilities for the governance of the Scheme

The Scheme's Trustee is responsible for the governance of the Scheme. The Trustee has a legal obligation to act solely in the best interests of the Scheme beneficiaries. The Trustee has the following roles:

- Administration of the Scheme and payment to the beneficiaries from Scheme assets when required in accordance with the Scheme rules;
- Management and investment of the Scheme assets; and
- Compliance with superannuation law and other applicable regulations.

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licenses and supervises regulated superannuation plans.

Description of risks

There are a number of risks to which the Scheme exposes the University. The more significant risks relating to the defined benefits are:

- **Investment risk** - The risk that investments returns will be lower than assumed and the University will need to increase contributions to offset this shortfall.
- **Salary growth risk** - The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- **Legislative risk** - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.
- **Pension risk** - The risk is firstly that pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period. Secondly, that a greater proportion of eligible members will elect to take a pension benefit, which is generally more valuable than the corresponding lump sum benefit.
- **Inflation risk** - The risk that inflation is higher than anticipated, increasing pension payments, and thereby requiring additional employer contributions.
- **Timing of members leaving service** - As the Scheme has only a small number of members, members leaving may have an impact on the financial position of the Scheme, depending on the financial position of the Scheme at the time they leave. The impact may be positive or negative, depending upon the circumstances and timing of the withdrawal.

The defined benefit assets are invested in the investment options with benchmark exposure to 'growth' assets such as shares and property of about 65%, with the remaining 35% exposed to 'defensive' assets such as cash and bonds. The assets are diversified within these investment options and therefore the Scheme has no significant concentration of investment risk.

Description of significant events

There were no plan amendments affecting the defined benefits payable, curtailments or settlements during the year.

27. Superannuation Schemes – continued

(c) The University of Adelaide Superannuation Scheme A 1985 - continued

	Note	2015 \$000	2014 \$000
Reconciliation of the Net Defined Benefit Liability/(Asset)			
Net defined benefit liability/(asset) at the beginning of the year		8,082	4,958
Add Current service costs		440	396
Net interest		233	188
Actuarial (gains) / losses arising from changes in financial assumptions		(107)	2,702
Actuarial (gains) / losses arising from liability experience		(64)	440
Less Actual return on Scheme assets less interest income		160	(243)
Employer contributions		(384)	(359)
Net defined benefit liability/(asset) at the end of the year		8,360	8,082
Reconciliation of the defined benefit obligation			
Present value of defined benefit obligations at the beginning of the year		21,620	18,436
Add Current service costs		440	396
Interest cost		677	774
Contributions by Scheme participants		33	36
Actuarial (gains) / losses arising from changes in financial assumptions		(107)	2,702
Actuarial (gains) / losses arising from liability experience		(64)	440
Less Benefits paid		(831)	(838)
Taxes, premiums and expenses paid		(243)	(326)
Present value of defined benefit obligations at the end of the year		21,525	21,620
Reconciliation of the fair value of Scheme assets			
		13,538	13,478
Add Interest income		444	586
Actual return on Scheme assets less interest income		(160)	243
Employer contributions		384	359
Contributions by Scheme participants		33	36
Less Benefits paid		(831)	(838)
Taxes, premiums and expenses paid		(243)	(326)
Fair value of Scheme assets at the end of the year		13,165	13,538
Reconciliation of the Assets and Liabilities recognised in the Statement of Financial Position			
Defined benefit obligation including contributions tax provision		21,525	21,620
Less Fair value of scheme assets		(13,165)	(13,538)
Defined benefit fund net liability	20	8,360	8,082
Expense recognised in the Statement of Comprehensive Income			
Service cost		440	396
Net interest		233	188
Defined benefit cost recognised in Net operating result		673	584
Amounts recognised in Other Comprehensive Income			
Actuarial (gains) / losses		(171)	3,142
Actual return on Scheme assets less interest income		160	(243)
Total remeasurements recognised in Other Comprehensive Income		(11)	2,899
Reconciliation of the Effect of the Asset Ceiling			
The asset ceiling has no impact on the net defined benefit liability.			

27. Superannuation Schemes – continued

(c) The University of Adelaide Superannuation Scheme A 1985 - continued

Fair value of Scheme assets

As at 31 December 2015

	2015	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Asset Category				
Investment Funds	13,165	-	13,165	-
	13,165	-	13,165	-

As at 31 December 2014

	2014	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Asset Category				
Investment Funds	13,538	-	13,538	-
	13,538	-	13,538	-

Scheme assets

The percentage invested in each asset class at the reporting date:

	2015	2014
Australian equity	41%	45%
International equity	17%	20%
Fixed income	32%	25%
Property	7%	7%
Cash	3%	3%

Fair value of University's own financial instruments

The fair value of Scheme assets does not include amounts relating to any of the University's own financial instruments or any property occupied by, or other assets used by, the University.

	2015	2014
	\$'000	\$'000
Actual return on scheme assets	284	829

Significant actuarial assumptions at the balance date

Assumptions to determine Defined Benefit Cost

Discount rate	3.40%	4.50%
Expected salary increase rate	3.00%	3.00%
Expected pension increase rate	2.50%	2.50%

Assumptions to determine Defined Benefit Obligation

Discount rate	3.44%	3.40%
Expected salary increase rate	3.00%	3.00%
Expected pension increase rate	2.50%	2.50%

27. Superannuation Schemes – continued

(c) The University of Adelaide Superannuation Scheme A 1985 - continued

Sensitivity Analysis

The defined benefit obligation as at 31 December 2015 under several scenarios is presented below.

Scenario A and B relate to discount rate sensitivity. Scenario C and D relate to salary increase rate sensitivity. Scenario E, F, G and H relate to sensitivities on pension assumptions.

Scenario A: 0.5% pa lower discount rate assumption

Scenario B: 0.5% pa higher discount rate assumption

Scenario C: 0.5% pa lower assumed salary increase rate assumption

Scenario D: 0.5% pa higher assumed salary increase rate assumption

Scenario E: 0.5% pa lower assumed pension increase rate assumption

Scenario F: 0.5% pa higher assumed pension increase rate assumption

Scenario G: 10% lower pensioner mortality rate assumption

Scenario H: 10% higher pensioner mortality rate assumption

	Base Case	A	B	C	D
		-0.5% pa discount rate	+0.5% pa discount rate	-0.5% pa salary increase rate	+0.5% pa salary increase rate
Discount rate	3.44% pa	2.94% pa	3.94% pa	3.44% pa	3.44% pa
Salary increase rate	3.00% pa	3.00% pa	3.00% pa	2.50% pa	3.50% pa
Defined benefit obligation [^] (\$'000)	21,525	22,919	20,254	21,476	21,574

	Base Case	E	F	G	H
		-0.5% pa pension increase rate	+0.5% pa pension increase rate	10% lower pensioner mortality rate	10% higher pensioner mortality rate
Pension increase rate	2.50% pa	2.00% pa	3.00% pa	2.50% pa	2.50% pa
Pensioner mortality	100% MSRP*	100%	100%	90%	110%
Defined benefit obligation [^] (\$'000)	21,525	20,339	22,811	22,420	20,733

[^] includes defined benefit contributions tax provision

* Mercer Standard Retiree Pensioner Mortality rates 2005-2009

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Asset-Liability matching strategies

The University is not aware of any asset and liability matching strategies adopted by the Scheme.

Expected contributions

The expected employer contributions for the year ended 31 December 2016 are \$0.3 million (2015: \$0.3 million).

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 15 years.

Expected benefit payments for the financial year ending on

	\$'000
31 December 2016	969
31 December 2017	964
31 December 2018	957
31 December 2019	962
31 December 2020	950
Following 5 years	4,504

27. Superannuation Schemes – continued

(d) State Government Superannuation Schemes

In 1991, employees of the City Campus of the South Australian College of Advanced Education and Roseworthy Agricultural College were transferred to the University. Their terms of appointment to the University protected their membership of the State Pension Scheme and State Lump Sum Scheme. The schemes are administered by the South Australia Superannuation Board. The schemes provide defined benefits and are mainly unfunded. The only employer contributions made in 2015 were 3% of salaries, and remaining benefits are met on an emerging cost basis.

Super SA estimate that, as at 31 December 2015, using Accounting Standard AASB 119 assumptions there is an unfunded liability of \$68.4 million (2014: \$71.5 million). This represents a decrease in liability of \$3.1 million since 31 December 2014.

The Commonwealth Government has agreed to provide assistance under Section 20 of the Higher Education Funding Act to meet the additional costs in respect of State Government emerging cost schemes, where costs are in excess of funding provided for this purpose in the base operating grant. Under the Commonwealth legislation titled "State Grants (General Purposes) Amendment Act 1982", the method of payment of these costs by the Commonwealth to the State Governments was promulgated. Further, the accounting methodology employed in these financial statements is in accordance with "Financial Statement Guidelines for Australian Higher Education Providers for 2015 Reporting Period" provided by the Department of Education. The accounting treatment employed is also consistent with the approach taken by other Australian Universities. Accordingly, total assets of \$68.4 million have been recorded as a "Deferred government superannuation contribution" which offsets the current and non-current liability for the State Government Superannuation Schemes recorded as "Defined Benefit Obligation".

Summary

	Consolidated		University	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
Deferred Government Superannuation Contribution				
Current asset	4,300	4,200	4,300	4,200
Non-current asset	64,128	67,302	64,128	67,302
	68,428	71,502	68,428	71,502
Defined Benefit Obligation				
Current liability	4,300	4,200	4,300	4,200
Non-current liability	64,128	67,302	64,128	67,302
	68,428	71,502	68,428	71,502

(e) Contributions

The total employer contributions were:

UniSuper Defined Benefit Division (UniSuper Defined Contribution Plan) or Accumulation Super 2	36,531	36,786
Accumulation Super 1	17,652	17,106
Super SA	85	87
State Government Superannuation Schemes (3%)	8	8
The University of Adelaide Superannuation Scheme A 1985	64	63
Self-managed funds	141	111
	54,481	54,161

28. Disaggregation Information

The University predominantly operates in the field of higher education in Australia. Its primary activities are teaching and research. Income generated overseas from teaching and research activities is not so significant as to warrant disaggregation information disclosure.

	Consolidated		University	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000

29. Auditors' Remuneration

During the year, the following fees were paid for services provided by the auditors of the University and its Controlled Entities.

Audit of the Financial Statements

Fees paid to South Australian Auditor-General	291	300	291	300
Other auditors of controlled entities	101	97	-	-
	392	397	291	300

Other audit and assurance services

Other auditors of controlled entities	6	6	-	-
	398	403	291	300

Amounts paid or payable for other audit and assurance services relate to the provision of accounting services.

30. The University Council Members and Senior Management

(a) Names of the University Council Members and Senior Management

University Council Members

Ex officio	Bebbington, Professor Warren	
	Macintyre, Professor Clement	ceased 31/12/2015
	Scarce AC CSC RAN (Rtd), Rear Admiral The Hon Kevin	
Appointed	Bagot, Mr Charles	ceased 31/12/2015
	Branson QC, The Hon Catherine	
	Davidson AM, Ms Dianne	
	Hill, Mr David	
	Johnson, Ms Wendy	ceased 8/2/2015
	Liddle, Ms Kerryne	
	Locher, Ms Christine	appointed 1/5/2015
Elected Staff	Presser, Ms Kathryn	appointed 1/6/2015
	Abell, Professor Andrew	elected 6/3/2015
	Hayford, Ms Julie	re-elected 6/3/2015
	Matthews, Mr Stuart	elected 6/3/2015
	Patrikeeff, Associate Professor Felix	re-elected 6/3/2015
	Thomas FAA, Professor Anthony	ceased 5/3/2015
	Thomas, Mr Aaron	ceased 5/3/2015
Elected Graduates	Broinowski, Dr Alison	ceased 27/11/2015
	Day, Mr Robin	
	Robinson, Dr Susan	ceased 18/6/2015
	Ben, Mr Lawrence	ceased 5/3/2015
	Dutcher, Mr Ethan	elected 6/3/2015
	Johnston, Mr James	elected 6/3/2015
	Lienert, Mr Jack	elected 6/3/2015
	Lu, Mr Zhao	ceased 5/3/2015
	Selvanderan, Mr Shane	ceased 5/3/2015

University Senior Management

Bebbington, Professor Warren	
Beynon, Professor John	
Brooks, Professor Mike	
Burt, Professor Alastair	
Findlay AM, Professor Christopher	
Grantham, Ms Leah	commenced 6/7/2015
Hill, Professor Robert	
Kirkpatrick, Professor Denise	ceased 10/1/2015
Levy, Professor Phillipa	commenced 7/4/2015
Lines, Mr Bruce	
Macintyre, Professor Clement	ceased 31/12/2015
Mitchell, Mr Tony	
Owens, Professor Julie	commenced 15/6/2015
Quester, Professor Pascale	
Reid, Professor Iain	ceased 31/1/2015
Robertson, Ms Kate	ceased 3/7/2015
Russell AM, Professor Richard	ceased 31/12/2015
Saint, Professor Robert	ceased 12/6/2015
Shaw, Professor Jennie	
Thomas, Professor Shane	commenced 1/3/2015
	ceased 22/7/2015

2015 2014
\$000 \$000

30. The University Council Members and Senior Management - continued

(b) Remuneration of the University Council Members and Senior Management

University Council Members

Total remuneration paid to members of Council, or members of its standing committees for the financial year in their role as councillor or members of those committees, is shown below in their relevant bands. Some members of Council are employees of the University or were contractors of the University, and as such receive remuneration in the course of their employment with the University.

			Number	Number
\$		\$		
NIL			25	26
1	-	14,999	-	1
45,000	-	59,999	1	-
			26	27

The University paid the travel and accommodation costs of some University Council Members to enable attendance at Council meetings during the year. All costs were incurred on normal commercial terms.

University Senior Management

Short-term employee benefits	5,296	5,263
Other long-term benefits	891	877
Termination benefits	78	8
Total senior management personnel compensation	6,265	6,148

			Number	Number
\$		\$		
130,000	-	144,999	-	1
175,000	-	189,999	2	-
190,000	-	204,999	2	2
205,000	-	219,999	1	-
220,000	-	234,999	1	1
250,000	-	264,999	-	2
265,000	-	279,999	-	1
280,000	-	294,999	-	2
295,000	-	309,999	2	1
310,000	-	324,999	-	2
325,000	-	339,999	1	1
340,000	-	354,999	2	2
370,000	-	384,999	2	-
460,000	-	474,999	-	1
475,000	-	489,999	1	1
490,000	-	504,999	2	-
940,000	-	954,999	-	1
1,015,000	-	1,029,999	1	-
			17	18

The Department of Education Guidelines specify that senior management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the whole University, directly or indirectly, including any director (whether executive or otherwise) of the University.

Remuneration is based upon the total remuneration package which includes employer and employee (pre tax) superannuation contributions and termination payments, due and receivable, by senior managers from the University while holding a University senior management position. Only senior managers with remuneration in excess of one hundred and thirty thousand have been included in salary bands.

31. Financial Instruments

(a) Interest Rate Risk

The Consolidated Entity has placed its investments in a portfolio managed by independent investment managers. The fund managers may enter into interest rate swaps, futures contracts, interest rate options and other forms of agreements to manage cash flow risks associated with the interest rates on investments that are floating, or to alter interest rate exposures arising from mismatches in repricing dates between assets and liabilities. The Consolidated Entity has entered into forward start interest rate swaps to manage its interest rate exposures on borrowings for its North Terrace Development Strategy. Further details are contained in Note 9.

	Note	Floating Interest Rate	Fixed Maturity Dates						Non-Interest Bearing	Total
			Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years		
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2015										
Financial Assets										
Cash & Cash Equivalents	6	53,477	-	-	-	-	-	-	459	53,936
Receivables	7	-	-	-	-	-	-	-	36,820	36,820
Financial Assets Held for Trading	8	-	-	-	-	-	-	-	265,125	265,125
Financial Assets Held to Maturity	8	-	60,265	-	-	-	-	-	-	60,265
Other Financial Assets	8, 13	-	92	92	31	-	-	-	2,120	2,335
Derivative Financial Instruments	9	-	-	-	-	-	-	-	2	2
		53,477	60,357	92	31	-	-	-	304,526	418,483
Financial Liabilities										
Derivative Financial Instruments	9	-	-	-	-	-	-	-	15,706	15,706
Payables	18	-	-	-	-	-	-	-	85,992	85,992
Borrowings	19	-	5,000	5,000	5,000	5,000	5,000	26,500	10	51,510
		-	5,000	5,000	5,000	5,000	5,000	26,500	101,708	153,208

31. Financial Instruments - continued

	Note	Floating Interest Rate	Fixed Maturity Dates						Non-Interest Bearing	Total
			Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years		
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2014										
Financial Assets										
Cash & Cash Equivalents	6	49,579	-	-	-	-	-	-	2,051	51,630
Receivables	7	-	-	-	-	-	-	-	27,450	27,450
Financial Assets Held for Trading	8	-	-	-	-	-	-	-	248,590	248,590
Financial Assets Held to Maturity	8	-	90,672	-	-	-	-	-	-	90,672
Other Financial Assets	8, 13	-	104	92	92	31	-	-	1,988	2,307
		49,579	90,776	92	92	31	-	-	280,079	420,649
Financial Liabilities										
Derivative Financial Instruments	9	-	-	-	-	-	-	-	17,080	17,080
Payables	18	-	-	-	-	-	-	-	79,192	79,192
Borrowings	19	-	5,000	5,000	5,000	5,000	5,000	52,500	24	77,524
		-	5,000	5,000	5,000	5,000	5,000	52,500	96,296	173,796

31. Additional Financial Instruments Disclosure - continued

(b) Foreign Exchange Risk

The Consolidated Entity has placed its investments in a portfolio managed by independent investment managers. The fund managers may enter into forward foreign currency exchange contracts to hedge overseas fixed interest securities and a portion of overseas equities. The terms of the hedge contracts are usually less than three months.

The Consolidated Entity has entered into foreign currency swaps to manage foreign currency exposures on capital expenditure and library subscriptions. Further details are contained in Note 3(l).

(c) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted.

(i) On Statement of Financial Position financial instruments

The credit risk on financial assets recognised in the Statement of Financial Position is the carrying amount of those assets, net of any allowances for losses.

The credit risk relating to receivables is limited as it consists of a large number of customers across different industries and sectors, including a significant amount owing from Government customers with minimal credit risk. The credit risk relating to cash holdings and investments is limited as the counterparties are banks and investment managers with high credit ratings assigned by international credit-rating agencies.

(ii) Off Statement of Financial Position financial instruments

The reporting entity and its controlled entities do not possess or trade any off Statement of Financial Position financial instruments.

(d) Liquidity Risk

Liquidity risk is managed through maintaining a minimum level of readily accessible funds, by continuously monitoring forecast and actual cash flows, in line with the University's Liquidity Risk Management Policy.

(e) Fair Values of Financial Assets and Financial Liabilities

Fair values of financial assets and financial liabilities are determined by the Consolidated Entity on the following basis:

(i) On Statement of Financial Position financial instruments

The Consolidated Entity has placed its investments in a portfolio managed by independent managers. Listed shares and equities included within these investments are traded in an organised financial market by the fund managers. The Consolidated Entity values these investments at current market value.

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at amounts due from customers (reduced for expected credit losses) or due to suppliers.

Bank term deposits, accounts receivable, accounts payable and bank loans are carried at nominal value which approximates fair value.

The fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets of the respective corporations.

(ii) Off Statement of Financial Position financial instruments

The reporting entity and its controlled entities do not possess or trade any off Statement of Financial Position financial instruments.

32. Fair Value Measurements

(a) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Due to the short-term nature of the current receivables, their carrying value approximates their fair value and based on credit history it is expected that the receivables that are neither past due nor impaired will be received when due.

The carrying amounts and aggregate fair values of financial assets and liabilities at the end of the reporting period are:

		Carrying Amount		Fair Value	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
Financial assets					
Cash and cash equivalents	6	53,936	51,630	53,936	51,630
Receivables	7	36,820	27,450	36,820	27,450
Derivative financial instruments	9	2	-	2	-
Investments using the equity method	13	2,121	1,988	2,121	1,988
Other financial assets	8	325,604	339,581	325,604	339,581
Total financial assets		418,483	420,649	418,483	420,649
Non-financial assets					
Non-current assets held for sale	12	22,600	46,138	22,600	46,138
Total non-financial assets		22,600	46,138	22,600	46,138
Financial liabilities					
Payables	18	85,992	79,192	85,992	79,192
Borrowings	19	51,510	77,524	51,510	77,524
Derivative Financial Instruments	9	15,706	17,080	15,706	17,080
Total financial liabilities		153,208	173,796	153,208	173,796

The Consolidated Entity measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets at fair value through profit or loss
- Investments using the equity method
- Derivative financial instruments
- Other financial assets
- Investment properties
- Land and buildings
- Library collection
- Works of art
- Borrowings

The Consolidated Entity has also measured assets and liabilities at fair value on a non-recurring basis as a result of the reclassification of assets as held for sale.

(b) Fair value hierarchy

The Consolidated Entity categorises assets and liabilities measured at fair value into a hierarchy based on the level of inputs used in measurement.

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices within level 1 that are observable for the asset or liability either directly or indirectly

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

32. Fair Value Measurements - continued

(i) Recognised fair value measurements

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 31 December 2015.

Fair Value measurements at 31 December 2015		2015	Level 1	Level 2	Level 3
	Note	\$'000	\$'000	\$'000	\$'000
Financial assets					
Financial assets at fair value through profit or loss	8	265,125	255,573	-	9,552
Investments using the equity method	13	2,121	-	-	2,121
Derivative financial instruments	9	2	-	2	-
Other financial assets	8	60,479	60,265	214	-
Total recurring financial assets		327,727	315,838	216	11,673
Non-financial assets					
Library collection	15	18,141	-	-	18,141
Other land and buildings	15	118,272	-	118,272	-
Trust land and buildings	15	912,248	-	-	912,248
Works of art	15	7,801	-	7,801	-
Total recurring non-financial assets		1,056,462	-	126,073	930,389
Non-recurring fair value measurements					
Non-financial assets					
Non-current assets held for sale	12	22,600	-	22,600	-
Total non-recurring non-financial assets		22,600	-	22,600	-
Financial liabilities					
Borrowings	19	51,510	-	51,510	-
Derivative financial instruments	9	15,706	-	15,706	-
Total liabilities		67,216	-	67,216	-

Fair Value measurements at 31 December 2014

Recurring fair value measurements

	Note	2014	Level 1	Level 2	Level 3
		\$'000	\$'000	\$'000	\$'000
Financial assets					
Financial assets at fair value through profit or loss	8	248,590	245,645	-	2,945
Investments using the equity method	13	1,988	-	-	1,988
Derivative financial instruments	9	-	-	-	-
Other financial assets	8	90,991	90,672	319	-
Total financial assets		341,569	336,317	319	4,933

Non-financial assets

Library collection	15	19,880	-	-	19,880
Other land and buildings	15	117,766	-	117,766	-
Trust land and buildings	15	906,576	-	-	906,576
Works of art	15	7,768	-	7,768	-
Total non-financial assets		1,051,990	-	125,534	926,456

Non-recurring fair value measurements

Non-financial assets

Non-current assets held for sale	12	46,138	-	46,138	-
Total non-recurring non-financial assets		46,138	-	46,138	-

Financial liabilities

Borrowings	19	77,524	-	77,524	-
Derivatives financial instruments	9	17,080	-	17,080	-
Total financial liabilities		94,604	-	94,604	-

32. Fair Value Measurements - continued

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

For transfers in and out of level 3 measurements see (d) below.

The Consolidated Entity's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(ii) Disclosed fair values

The fair value of assets or liabilities traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices for identical assets or liabilities at the end of the reporting period (level 1). This is the most representative of fair value in the circumstances.

The fair values of held-to-maturity investments that are disclosed in note 8 were determined by reference to published price quotations in an active market (level 1).

The carrying value less impairment provision of trade receivables is a reasonable approximation of the fair value due to the short-term nature of trade receivables.

The fair value of non-current borrowings disclosed in note 19 is estimated by discounting the future contractual cash flows at the current market interest rates that are available to the group for similar financial instruments. For the period ending 31 December 2015, the borrowing rates were determined to be between 4% and 5%, depending on the type of borrowing. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant (level 2).

(c) Valuation techniques used to derive level 2 and level 3 fair values

(i) Recurring fair value measurements

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and investments using the equity method.

The Consolidated Entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of the reporting period.

Specific valuation techniques used to value financial instruments include:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities and investments using the equity method explained in (d) below.

(ii) Non-recurring fair value measurements

Non-current assets classified as held for sale during the reporting period were measured at the lower of their carrying amount and fair value less costs to sell at the time of reclassification. The fair value of the land and buildings was determined using the sales comparison approach as described under (d) below.

32. Fair Value Measurements - continued

(d) Fair value measurements using significant unobservable inputs (level 3)

The following table is a reconciliation of level 3 items for the period ended 31 December 2015 and 2014:

Level 3 Fair Value Measurements 2015

	Trust Land and Buildings	Investments Using the Equity Method	Unlisted Equity Securities	Library Collection	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	906,576	1,988	2,945	19,880	931,389
Acquisitions	27,512	481	-	876	28,869
Disposals	-	-	-	(436)	(436)
Recognised in Net operating result	(21,840)	-	6,607	(2,179)	(17,412)
Recognised in other comprehensive income	-	(348)	-	-	(348)
Closing balance	912,248	2,121	9,552	18,141	942,062

Level 3 Fair Value Measurements 2014

	910,553	1,710	1,576	21,662	935,501
Opening balance	910,553	1,710	1,576	21,662	935,501
Acquisitions	18,063	-	-	1,195	19,258
Disposals	-	-	-	(810)	(810)
Recognised in Net operating result	(22,040)	-	1,369	(2,167)	(22,838)
Recognised in other comprehensive income	-	278	-	-	278
Closing balance	906,576	1,988	2,945	19,880	931,389

(i) Transfers between levels 2 and 3 and changes in valuation techniques

There were no transfers between levels 2 and 3 during the year. There were no changes in valuation techniques during the year.

32. Fair Value Measurements - continued

(ii) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See (c) above for the valuation techniques adopted.

Description	Fair value at 31 Dec 2015 \$'000	Un- observable inputs	Range of inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Investments using the equity method	2,121	Earnings growth factor	2.0% - 3.0% (2.5%)	Increased earnings growth factor of 1% would increase fair value by \$20,000; lower growth factor of 1% would decrease fair value by \$20,000.
Unlisted Equity Securities	9,552	Earnings growth factor	2.0% - 3.0% (2.5%)	Increased earnings growth factor of 1% would increase fair value by \$95,000; lower growth factor of 1% would decrease fair value by \$95,000.
Library Collection	18,141	Price of bound books	3.0% - 4.0% (3.5%)	The higher the price of bound books, the higher the fair value, with a 1% increase increasing the library collection value by \$0.2 million. A decrease of 1% will decrease the fair value by \$0.2 million.

(iii) Valuation processes

The Financial Services Branch of the Consolidated Entity includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO).

The Consolidated Entity engages external, independent and qualified valuers to determine the fair value of the Consolidated Entity's investment properties at the end of every financial year and for other land and buildings at least every three years. As at 31 December 2015, the fair values of the investment properties, and land and buildings were determined by Maloney Field Services (Australia) Pty Ltd.

Trust buildings have been valued using the depreciated replacement cost (DRC) method, where DRC is defined as the current replacement cost of an asset less accumulated depreciation calculated on the basis of the already consumed or expired service potential / estimated remaining useful life of the asset.

Land and other buildings have been valued using the direct comparison approach, which determines the current value of an asset by reference to recent comparable transactions involving the sale of similar assets.

Adjustments are subsequently made for specific attributes including, but not limited to, size, topography, zoning and restrictions of use for Trust land to determine the value of the subject property.

Investment properties were revalued prior to being reclassified to non-current assets held for sale, using the capitalisation of net income approach, which capitalises an actual or imputed net rental income at an appropriate yield as determined by the marketplace. The yield is an expression of the perceived risks associated with the investment relating to such factors as the protection of capital invested and anticipated appreciation, security of income and cash flow, timeframe for the return of capital, liquidity, saleability and investor demand for the property, as well as economic factors including inflation, term and covenants of the lease, rental structure and financial backing of the sitting tenant. Research, investigation and analysis of sales of similar type investment properties is undertaken to determine appropriate rental and capitalisation rates.

33. Investments in Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in Note 3(b).

Controlled Entity	Holding		Investment at Fair Value		Investment at Cost		Contribution to Operating Result	
	2015	2014	2015	2014	2015	2014	2015	2014
	%	%	\$000	\$000	\$000	\$000	\$000	\$000
The Adelaide Research & Innovation Investment Trust	100	100	316	580	-	-	161	389
Adelaide Unicare Pty Ltd	100	100	9,745	10,115	-	-	(370)	(434)
Martindale Holdings Pty Ltd as trustee for:								
- JS Davies Estate	83	83	-	-	-	-	(1)	(3)
- JAT Mortlock Trust	100	100	-	31	-	-	93	(1)
- Roseworthy Farm	100	100	1,694	1,756	-	-	295	442
National Wine Centre Pty Ltd	100	100	1,136	1,500	-	-	36	128
Roseworthy Piggery Pty Ltd	100	100	125	278	100	100	(153)	138
The Women's and Children's Health Research Institute	100	100	9,350	11,302	-	-	(200)	253
			22,366	25,562	100	100	(139)	912

All of the above controlled entities are incorporated in Australia.

Controlled Entity	Principal Activities
The Adelaide Research & Innovation Investment Trust	The University commercial arm that connects the community with a network of University of Adelaide researchers for purpose of research, development and innovation. The connection extends to commercialisation of the research developed.
Adelaide Unicare Pty Ltd	Manages the activities and operations of medical practices to provide placements for the teaching of medical students from the University of Adelaide. The practices provide quality general medical care to students, staff and the public.
Martindale Holdings Pty Ltd as trustee for:	Trustee Company for the following:
- JS Davies Estate	Established to operate farming properties that were bequeathed to the University of Adelaide and Prince Alfred College. This venture is no longer operating.
- JAT Mortlock Trust	Established to operate farming properties that were bequeathed to the University of Adelaide. This venture is no longer operating.
- Roseworthy Farm	Manages the broadacre farm operations at the University Roseworthy Campus.
National Wine Centre Pty Ltd	Operates the National Wine Centre complex undertaking banquets, events, conference space & wine tourism, and other catering operations as directed by the University of Adelaide.
Roseworthy Piggery Pty Ltd	Established to manage the piggery located on the Roseworthy Campus. The Piggery provides a source of pigs for research and supports the Veterinary School teaching.
The Women's and Children's Health Research Institute	Medical research institute investing in research towards improving the health of women and children, focussed on maternal and child nutrition, diseases of the blood and immune system and the development and repair of the digestive system, skull and skin.

34. Investments in Associates

(a) Equity and Contribution to Operating Result

Associate	Principal Activity	Holding		Consolidated Carrying Amount		Investment at Cost	
		2015	2014	2015	2014	2015	2014
		%	%	\$000	\$000	\$000	\$000
Held by the University							
Australian Centre for Plant Functional Genomics Pty Ltd	Responsible for the development of world-class capability in plant genomic research and its application for economic and social benefit to Australia.	45	45	452	393	-	-
SNAP Network Surveillance Pty Ltd	Production of software to simplify operation of large-scale video surveillance.	32	32	-	-	-	-
				452	393	-	-

The University has a 25% interest in an incorporated associate, SABRENet Ltd, which has been established to further the use of advanced data networking, for the conduct of research and education in South Australia. SABRENet Ltd is not accounted for using the equity method as the University does not have access to the residual assets of the entity.

The Australian Centre for Plant Functional Genomics Pty Ltd has a 31 December reporting period. SNAP Network Surveillance Pty Ltd has a 30 June reporting period.

	Consolidated		University	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
(b) Movements in Carrying Amounts of Investments in Associates				
At beginning of financial year	393	-	-	-
Share of operating result	59	393	-	-
	452	393	-	-
(c) Results Attributed to Associates				
Operating result	59	393	-	-
Retained surplus attributable to associates at the beginning of the financial year	393	-	-	-
Retained surplus attributable to associates at the end of the financial year	452	393	-	-

(d) Accounting for Associates

(i) Capital and other expenditure commitments

There are no material capital and other expenditure commitments relating to associates.

(ii) Contingent liabilities

There are no material contingent liabilities relating to associates.

(iii) Post balance date events

There are no material post balance date events to report for associates.

(iv) Assets, liabilities, revenue and expenditure

Since the above activities do not materially affect the Consolidated Entity figures, assets, liabilities, revenue and expenditure have been reported as net amounts.

(v) Off Statement of Financial Position financial instruments

Neither the Consolidated Entity, nor any of its associates, have any off Statement of Financial Position financial instruments.

35. Interests in Cooperative Research Centres (CRCs)

A CRC is a research initiative of the Australian Government established to pursue specific areas of research. One of the desired outcomes of a CRC is the creation of specific intellectual property with commercial value. The participants in CRCs are an amalgam of research institutions, eg CSIRO, government agencies, universities and private enterprise. The funding of the CRC is co-ordinated through either a Company formed by the core participants or by a Centre Agent who is appointed generally from one of the participating entities.

Funding transfers between the CRC and the University are accounted for as general revenue and expenditure.

		Participation
Energy Pipelines CRC	(I)	- 14%
Deep Exploration Technologies CRC	(I)	(C) 10%
CRC for High Integrity Australian Pork	(I)	- 11%
Plant Biosecurity CRC	(I)	(C) 1%
Invasive Animals CRC	(U)	(C) 1%
Bushfire and Natural Hazards CRC	(I)	- 6%
Data to Decisions CRC	(I)	- 11%

(I) Incorporated

(U) Unincorporated

(C) CSIRO is a partner

The University was a supporting participant for the Poultry CRC, the CRC for Water Sensitive Cities and CRC for Sheep Industry Innovation. The CRC for Greenhouse Gas Technologies ceased trading during 2015.

The University over the next five years will make both cash and in-kind contributions to support the work of the CRCs. The University has committed to participate in the work of these CRCs, with contributions in constant dollars, \$1.3 million in cash (2014: \$1.8 million) and \$14.2 million in-kind (2014: \$18.4million).

36. Interests in Joint Ventures

(a) Joint Ventures Accounted for Using the Equity Method

Name	Principal Activity	Participation
Ngee Ann Adelaide Education Centre Pte	Operates a graduate education centre in Singapore	(I) 50%
Middleback Field Centre	To provide pastoral-zone courses and range land ecology research programmes.	(U) 33%
Professional Certificate in Arbitration	To develop and deliver tertiary courses in arbitration.	(U) 50%
South Australian Tertiary Admissions Centre	Established as the agent for tertiary institutions in Adelaide for the purpose of receiving and processing applications from intending students.	(U) 25%
Adelaide Proteomics Centre (APC)	Provision of cost effective and high quality proteomic analysis to researchers conducting basic and applied research.	(U) 50%
Mining Education Australia	Provision of a collaborative national mining education program for the benefit of mining engineering students.	(U) 25%

(I) Incorporated

(U) Unincorporated

All joint ventures have a 31 December reporting period.

36. Interests in Joint Ventures - continued

During the year, South Australian Centre for Economic Studies, Defence Systems Innovation Centre, Adelaide MicroArray Centre and eResearch SA ceased as joint ventures.

Ngee Ann Education Centre Pte Ltd is incorporated in Singapore. All other incorporated joint ventures are incorporated in Australia.

The Consolidated Entity's reported interest in the assets employed in the joint ventures totals \$1.7 million (2014: \$1.6 million). These are included in the Consolidated Statement of Financial Position, in accordance with the accounting policy described in note 3(n).

(b) Equity and Contribution to Operating Result

Joint Venture	Holding		Carrying Amount		Investment at Cost	
	2015	2014	2015	2014	2015	2014
	%	%	\$000	\$000	\$000	\$000
Held by the University						
Ngee Ann Adelaide Education Centre Pte Ltd	50%	50%	635	239	937	456
Middleback Field Centre	33%	33%	8	9	-	-
Professional Certificate in Arbitration	50%	50%	24	133	35	35
South Australian Centre for Economic Studies	0%	50%	-	135	-	-
South Australian Tertiary Admissions Centre	25%	25%	716	787	-	-
Adelaide Proteomics Centre (APC)	50%	50%	40	5	-	-
Adelaide MicroArray Centre	0%	50%	-	34	-	-
Defence Systems Innovation Centre	0%	50%	-	-	-	-
Mining Education Australia	25%	25%	246	155	-	-
eResearch SA	0%	33%	-	98	-	-
			1,669	1,595	972	491

Consolidated		University	
2015	2014	2015	2014
\$000	\$000	\$000	\$000

(c) Movements in Carrying Amounts of Joint Ventures

At beginning of financial year	1,595	1,710	-	-
Share of operating result	(407)	(115)	-	-
Additional investment in joint ventures	481	-	-	-
	1,669	1,595	-	-

(d) Results Attributed to Joint Ventures

Operating result	(407)	(115)	-	-
Additional investment in joint ventures	481	-	-	-
Retained surplus attributable at the beginning of the financial year	1,595	1,710	-	-
Retained surplus attributable at the end of the financial year	1,669	1,595	-	-

(e) Accounting for Joint Ventures

(i) Capital and other expenditure commitments

There are no material capital and other expenditure commitments relating to joint ventures.

(ii) Contingent liabilities

There are no known material contingent liabilities relating to joint ventures.

(iii) Post balance date events

There are no material post balance date events to report for joint ventures.

(iv) Assets, liabilities, revenue and expenditure

Since the above activities do not materially affect the University group figures, assets, liabilities, revenue and expenditure have been reported as net amounts.

(v) Off Statement of Financial Position financial instruments

Neither the reporting entity, nor any of its joint ventures, have any off Statement of Financial Position financial instruments.

37. Related Parties

(a) Parent entity

The ultimate parent entity within the group is the University of Adelaide.

(b) Controlled entities, joint arrangements and associates

Investments in controlled entities are detailed in Note 33, investments in associates are detailed in Note 34 and interests in joint arrangements are detailed in Note 36.

(c) Council members and senior management

Disclosures relating to the University Council Members and Senior Management are detailed in Note 30.

(d) Councillor related transactions

Certain Councillors are members of incorporated and unincorporated associations that are an integral part of the University. Transactions between these bodies, the University and Council members, in respect of services provided to Council members, are trivial in nature.

Certain Council members hold positions and interests in entities that provide goods and services to the University and its subsidiaries. The provision of these goods and services is on normal trading terms.

(e) Property leases

The University is the lessor of long term leases at peppercorn rents to the CSIRO and SARDI. On this land, these organisations have erected or leased buildings. These buildings become property of the University at the termination of the lease.

The University and the CSIRO are partners in a number of Cooperative Research Centres - refer to Note 35.

(f) Students at The University of Adelaide

From time to time, Council members will have members of their immediate family who are students at the University. Unless specifically stated within the financial statements, such students are subject to the same fee structure and scholarships as any other students. This also applies to members of Council who are enrolled as students.

The following information being Note 38 to Note 43 has been prepared in accordance with the Department of Education reporting guidelines.

38. Income Statement for the Year Ended 31 December 2015

		Consolidated		University	
		2015	2014	2015	2014
	Note	\$000	\$000	\$000	\$000
REVENUE FROM CONTINUING OPERATIONS					
Australian Government financial assistance	39(g)	500,406	516,676	500,406	516,732
State and Local Government financial assistance	41	24,292	22,832	23,815	22,407
HECS-HELP - Student Payments	4	13,001	13,789	13,001	13,789
Fees and charges	42	208,553	192,646	207,961	192,290
Investment income		22,768	26,673	23,626	26,788
Royalties, trademarks and licenses	4	4,669	4,896	2,256	1,938
Consultancy and contracts	43	95,476	89,381	61,246	53,507
Reversal of impairment of other buildings	4	1,033	-	1,033	-
Net gain on disposal of assets	4	7,247	-	7,270	-
Other revenue		57,799	59,893	32,080	34,627
Total revenue from continuing operations		935,244	926,786	872,694	862,078
EXPENSES FROM CONTINUING OPERATIONS					
Salaries and related expenses	5	486,767	478,795	470,708	462,768
Depreciation and amortisation	5	49,214	47,721	48,529	47,039
Buildings and grounds	5	63,789	59,358	62,563	58,276
Bad and doubtful debts	5	162	321	162	319
Finance costs	5	5,168	6,342	5,273	6,459
Scholarships, grants and prizes		42,952	41,709	42,952	41,709
Non-capitalised equipment	5	10,697	13,045	10,697	13,045
Advertising, marketing and promotional expenses		4,736	4,604	4,449	4,317
Net losses on disposal of assets	5	-	1,300	-	1,300
Impairment loss on non-current assets held for sale	5	79	716	79	716
Other expenses		221,419	219,797	174,281	171,700
Total expenses from continuing operations		884,983	873,708	819,693	807,648
Net operating result for the year		50,261	53,078	53,001	54,430

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
39. Australian Government Financial Assistance					
(a) Education - Commonwealth Grants Scheme and Other Education Grants					
Commonwealth Grants Scheme		166,431	163,069	166,431	163,069
Teaching Hospitals Grant		1,099	1,068	1,099	1,068
Indigenous Support Program		585	584	585	584
Partnership & Participation Program		6,231	6,207	6,231	6,207
Disability Support Program		37	40	37	40
Promotion of Excellence in Learning & Teaching Program		40	306	40	306
		174,423	171,274	174,423	171,274
(b) Higher Education Loan Programmes					
HECS-HELP		101,724	98,662	101,724	98,662
FEE-HELP		10,556	10,737	10,556	10,737
SA-HELP		3,155	2,884	3,155	2,884
		115,435	112,283	115,435	112,283
(c) Learning Scholarships					
Australian Postgraduate Awards		12,175	12,020	12,175	12,020
International Postgraduate Research Scholarships		974	988	974	988
Commonwealth Education Costs Scholarships		131	2	131	2
Commonwealth Accommodation Scholarships		74	80	74	80
Indigenous Access Scholarships		96	66	96	66
		13,450	13,156	13,450	13,156
(d) Education Research					
Joint Research Engagement Program		15,967	15,357	15,967	15,357
JRE Engineering Cadetships		252	185	252	185
Research Training Scheme		32,000	31,914	32,000	31,914
Research Infrastructure Block Grants		14,179	14,239	14,179	14,239
Sustainable Research Excellence in Universities		10,062	9,364	10,062	9,364
		72,460	71,059	72,460	71,059
(e) Other Capital Funding					
Teaching and Learning Capital Fund		-	-	-	-
		-	-	-	-
(f) Australian Research Council					
(i) Discovery					
Projects		11,337	14,178	11,337	14,178
Fellowships		10,919	13,910	10,919	13,910
Indigenous Researchers Development		-	-	-	-
		22,256	28,088	22,256	28,088
(ii) Linkages					
Infrastructure		1,340	1,925	1,340	1,925
Projects		4,204	6,105	4,204	6,105
Industrial Transformation Research Program		2,325	3,059	2,325	3,059
		7,869	11,089	7,869	11,089
(iii) Networks and Centres					
Centres		6,605	14,860	6,605	14,860
		6,605	14,860	6,605	14,860
Total ARC		36,730	54,037	36,730	54,037

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
39. Australian Government Financial Assistance - continued					
(g) Other Australian Government financial assistance received:					
Non-Capital					
Attorney General's Department		925	975	925	975
Australian Centre for International Agricultural Research		3,398	3,233	3,398	3,233
Australian Institute of Health and Welfare		464	500	464	500
Australian Renewable Energy Agency		1,364	1,274	1,364	1,274
CSIRO		1,213	1,110	1,213	1,110
Defence, Science and Technology Organisation		3,687	2,093	3,687	2,093
Department of Agriculture		4,829	5,094	4,829	5,094
Department of Defence		424	328	424	328
Department of Education		8,741	13,633	8,741	13,633
Department of the Environment		1,046	1,520	1,046	1,520
Department of Foreign Affairs and Trade		1,488	2,256	1,488	2,256
Department of Health		12,576	10,810	12,576	10,866
Department of Industry		717	774	717	774
Department of Veterans' Affairs		1,036	1,511	1,036	1,511
Grains Research & Development Corporation		13,454	11,513	13,454	11,513
Health Workforce Australia		-	1,370	-	1,370
National Health & Medical Research Council		32,056	36,434	32,056	36,434
Other		490	439	490	439
		87,908	94,867	87,908	94,923
Reconciliation					
Australian Government grants		384,971	404,393	384,971	404,449
HECS-HELP payments		101,724	98,662	101,724	98,662
FEE-HELP payments		10,556	10,737	10,556	10,737
SA-HELP payments		3,155	2,884	3,155	2,884
		500,406	516,676	500,406	516,732
(h) Australian Government grants received - cash basis					
CGS and Other Education Grants		173,562	171,553	173,562	171,553
Higher Education Loan Programmes		115,871	112,040	115,871	112,040
Scholarships		13,450	13,156	13,450	13,156
Education Research		72,460	71,059	72,460	71,059
ARC Grants - Discovery		22,256	28,088	22,256	28,088
ARC Grants - Linkages		7,869	11,089	7,869	11,089
ARC Grants - Networks and Centres		6,605	14,860	6,605	14,860
Other Australian Government Grants		89,053	95,329	88,120	94,959
		501,126	517,174	500,193	516,804
OS-Help (Net)	40(g)	1,015	696	1,015	696
Higher Education Superannuation	40(g)	4,029	3,804	4,029	3,804
		506,170	521,674	505,237	521,304

40. Acquittal of Australian Government Financial Assistance

(a) Education - Commonwealth Grants Scheme and Other Education Grants

Parent Entity (University) Only

	Notes	Commonwealth Grants Scheme		Teaching Hospitals Grant		Indigenous Support Program		Partnership & Participation Program		Disability Support Program	
		2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Financial assistance received in cash during the reporting period		165,570	163,348	1,099	1,068		584	6,231	6,207	37	40
Net accrual adjustments		861	(279)	-	-		-	-	-	-	-
Revenue for the period	39(a)	166,431	163,069	1,099	1,068	585	584	6,231	6,207	37	40
Surplus/(Deficit) from the previous year		-	-	-	-	-	-	317	371	43	24
Total revenue including accrued revenue		166,431	163,069	1,099	1,068	585	584	6,548	6,578	80	64
Less expenses including accrued expenses		166,431	163,069	1,099	1,068	585	584	4,838	6,261	31	21
Surplus/(Deficit) for the reporting period		-	-	-	-	-	-	1,710	317	49	43

40. Acquittal of Australian Government Financial Assistance - continued

(a) Education - Commonwealth Grants Scheme and Other Education Grants Parent Entity (University) Only

	Notes	Promotion of Excellence in Learning & Teaching Program		Reward Funding Program		Total	
		2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Financial assistance received in cash during the reporting period		40	306	-	-	173,562	171,553
Net accrual adjustments		-	-	-	-	861	(279)
Revenue for the period	39(a)	40	306	-	-	174,423	171,274
Surplus/(Deficit) from the previous year		457	490	463	993	1,280	1,878
Total revenue including accrued revenue		497	796	463	993	175,703	173,152
Less expenses including accrued expenses		324	339	-	530	173,308	171,872
Surplus/(Deficit) for the reporting period		173	457	463	463	2,395	1,280

40. Acquittal of Australian Government Financial Assistance - continued

(b) Higher Education Loan Programmes

Parent Entity (University) Only

	Notes	HECS-HELP		FEE-HELP		SA-HELP		Total	
		2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Cash Payable/(Receivable) at beginning of year		111	443	(130)	(43)	121	(55)	102	345
Financial assistance received in cash during the reporting period		102,710	98,330	10,672	10,650	2,489	3,060	115,871	112,040
Cash available for period		102,821	98,773	10,542	10,607	2,610	3,005	115,973	112,385
Revenue earned	39(b)	101,724	98,662	10,556	10,737	3,155	2,884	115,435	112,283
Cash Payable/(Receivable) at end of year		1,097	111	(14)	(130)	(545)	121	538	102

(c) Learning Scholarships		Parent Entity (University) Only
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100	100	

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40. Acquittal of Australian Government Financial Assistance - continued

(d) Education Research

Parent Entity (University) Only

	Notes	Joint Research Engagement		JRE Engineering Cadetships		Research Training Scheme		Research Infrastructure Block Grants	
		2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Financial assistance received in cash during the reporting period	39(d)	15,967	15,357	252	185	32,000	31,914	14,179	14,239
Net accrual adjustments		-	-	-	-	-	-	-	-
Revenue for the period		15,967	15,357	252	185	32,000	31,914	14,179	14,239
Surplus/(Deficit) from the previous year		-	-	165	58	-	-	-	-
Total revenue including accrued revenue		15,967	15,357	417	243	32,000	31,914	14,179	14,239
Less expenses including accrued expenses		15,967	15,357	68	78	32,000	31,914	14,179	14,239
Surplus/(Deficit) for the reporting period		-	-	349	165	-	-	-	-

40. Acquittal of Australian Government Financial Assistance - continued

(d) Education Research

Parent Entity (University) Only

	Notes	Sustainable Research Excellence		Commercialisation Training Scheme		Total	
		2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Financial assistance received in cash during the reporting period	39(d)	10,062	9,364	-	-	72,460	71,059
Net accrual adjustments		-	-	-	-	-	-
Revenue for the period		10,062	9,364	-	-	72,460	71,059
Surplus/(Deficit) from the previous year		-	-	-	110	165	168
Total revenue including accrued revenue		10,062	9,364	-	110	72,625	71,227
Less expenses including accrued expenses		10,062	9,364	-	110	72,276	71,062
Surplus/(Deficit) for the reporting period		-	-	-	-	349	165

40. Acquittal of Australian Government Financial Assistance - continued

(e) Other Capital Funding

Parent Entity (University) Only

	Notes	Teaching and Learning Capital Fund		Total	
		2015 \$000	2014 \$000	2015 \$000	2014 \$000
Financial assistance received in cash during the reporting period		-	-	-	-
Net accrual adjustments		-	-	-	-
Revenue for the period	39(e)	-	-	-	-
Surplus/(Deficit) from the previous year		-	75	-	75
Total revenue including accrued revenue		-	75	-	75
Less expenses including accrued expenses		-	75	-	75
Surplus/(Deficit) for the reporting period		-	-	-	-

* No income was received under these two schemes in 2015

40. Acquittal of Australian Government Financial Assistance - continued

(f) Australian Research Council Grants - Discovery

Parent Entity (University) Only

	Notes	Projects				Fellowships				Indigenous Researchers Development				Total	
		2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Financial assistance received in cash during the reporting period	39(f)	11,337	14,178	10,919	13,910	-	-	-	-	-	-	22,256	-	28,088	-
Net accrual adjustments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue for the period		11,337	14,178	10,919	13,910	-	-	-	-	-	-	22,256	-	28,088	-
Surplus/(Deficit) from the previous year		9,245	9,730	9,384	6,903	-	-	-	-	19	19	18,648	-	16,652	-
Total revenue including accrued revenue		20,582	23,908	20,303	20,813	-	-	-	-	19	19	40,904	-	44,740	-
Less expenses including accrued expenses		12,286	14,663	11,843	11,429	-	-	-	-	19	19	24,148	-	26,092	-
Surplus/(Deficit) for the reporting period		8,296	9,245	8,460	9,384	-	-	-	-	-	-	16,756	-	18,648	-

40. Acquittal of Australian Government Financial Assistance - continued

(f) Australian Research Council Grants - Linkages

Parent Entity (University) Only

	Notes	Infrastructure						Industrial Transformation Research Program						Total	
		2015		2014		2015		2014		2015		2014		2015	
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial assistance received in cash during the reporting period	39(f)	1,340		1,925		4,204	6,105			2,325	3,059			7,869	11,089
Net accrual adjustments		-		-		-	-			-	-			-	-
Revenue for the period		1,340		1,925		4,204	6,105			2,325	3,059			7,869	11,089
Surplus/(Deficit) from the previous year		1,394		1,097		2,902	3,554			3,351	809			7,647	5,460
Total revenue including accrued revenue		2,734		3,022		7,106	9,659			5,676	3,868			15,516	16,549
Less expenses including accrued expenses		2,376		1,628		4,095	6,757			2,137	517			8,608	8,902
Surplus/(Deficit) for the reporting period		358		1,394		3,011	2,902			3,539	3,351			6,908	7,647

40. Acquittal of Australian Government Financial Assistance - continued

(f) Australian Research Council Grants - Networks and Centres Parent Entity (University) Only

	Notes	Centres		Total	
		2015 \$000	2014 \$000	2015 \$000	2014 \$000
Financial assistance received in cash during the reporting period		6,605	14,860	6,605	14,860
Net accrual adjustments		-	-	-	-
Revenue for the period	39(f)	6,605	14,860	6,605	14,860
Surplus/(Deficit) from the previous year		2,117	1,145	2,117	1,145
Total revenue including accrued revenue		8,722	16,005	8,722	16,005
Less expenses including accrued expenses		7,163	13,888	7,163	13,888
Surplus/(Deficit) for the reporting period		1,559	2,117	1,559	2,117

40. Acquittal of Australian Government Financial Assistance - continued

(g) Other Australian Government Financial Assistance

Parent Entity (University) Only

OS HELP			
	Notes	2015 \$000	2014 \$000
Cash received during the reporting period		6,734	4,821
Cash spent during the reporting period		5,719	4,125
Net Cash received	39(h)	1,015	696
Surplus/(Deficit) from the previous year		290	(406)
Surplus/(Deficit) for the reporting period		1,305	290

Higher Education Superannuation			
	Notes	2015 \$000	2014 \$000
Cash received during the reporting period		4,029	3,804
University contribution in respect of current employees		-	-
Cash available	39(h)	4,029	3,804
Surplus/(Deficit) from the previous year		248	453
Cash available for current period		4,277	4,257
Contributions to specified defined benefit funds		3,926	4,009
Surplus/(Deficit) for the reporting period		351	248

Student Services and Amenities Fee			
	Notes	2015 \$000	2014 \$000
Unspent/(overspent) revenue from previous period		2,271	2,939
SA-HELP Revenue earned	39(b)	3,155	2,884
Student Services Fees direct from Students	42	2,848	2,686
Total revenue expendable in period		8,274	8,509
Student Services expenses during period		4,483	6,238
Unspent/(overspent) Student Services Revenue		3,791	2,271

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
41. State and Local Government Financial Assistance					
(a) South Australian Government and Local Government financial assistance					
Central Adelaide Local Health Network		7,664	8,119	7,664	8,119
Defence SA		-	2	-	2
Department for Communities and Social Inclusion		27	108	27	108
Department of Education and Child Development		93	30	93	30
Department of Health and Ageing		3,698	3,066	3,698	3,066
Department for Environment, Water and Natural Resources		1,642	1,545	1,642	1,545
Department for Planning, Transport and Infrastructure		762	749	762	749
Department of Primary Industries and Regions		1,862	341	1,862	341
Department of State Development		4,693	5,009	4,693	5,009
Department of the Premier and Cabinet		175	331	175	331
Motor Accident Commission		705	732	705	732
Northern Adelaide Local Health Network		699	538	699	538
SafeWork SA		310	535	310	535
Southern Adelaide Local Health Network		442	394	-	-
Other		783	729	748	698
Total South Australian Government and Local Government financial assistance		23,555	22,228	23,078	21,803
(b) Other State Government and Local Government financial assistance					
		737	604	737	604
Total State and Local Government financial assistance		24,292	22,832	23,815	22,407

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$000	\$000	\$000	\$000
42. Fees and Charges					
Course fees and charges					
Student fee income	4	180,655	166,180	180,655	166,180
Non-course fees and charges					
Student services and amenities fees	4	2,848	2,686	2,848	2,686
Library charges and fines	4	422	481	422	481
Application management and late fees	4	1,352	1,390	1,352	1,390
Parking fees	4	1,908	1,906	1,908	1,906
Rental charges/accommodation fees	4	11,966	11,709	11,599	11,533
Recharge of costs to other organisations	4	740	1,278	515	1,098
Franchise fees	4	2,258	1,946	2,258	1,946
Other		6,404	5,070	6,404	5,070
		208,553	192,646	207,961	192,290
43. Consultancy and Contract Revenue					
Consultancy		10,980	10,956	7,529	7,093
Contract research		84,496	78,425	53,717	46,414
		95,476	89,381	61,246	53,507

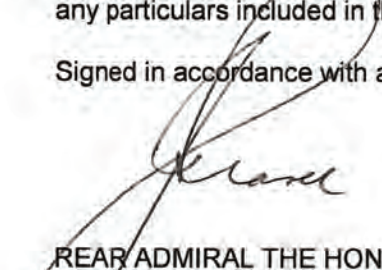
**Statement by the Chancellor, Vice-Chancellor & President
and Chief Financial Officer**

In our opinion:

- (a) the Financial Statements of The University of Adelaide have been prepared in accordance with the accounts and records of the University and present a true and fair view of the financial position of The University of Adelaide as at 31 December 2015 and the results of its operations and cash flows for the year ended 31 December 2015;
- (b) in all material respects, the Financial Statements have been prepared in accordance with Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, the Higher Education Funding Act 1988, the Higher Education Support Act 2003, Australian equivalents to International Financial Reporting Standards and other mandatory professional reporting requirements including Urgent Issues Group Consensus Views;
- (c) at the date of signing this Statement there are reasonable grounds to believe that The University of Adelaide will be able to pay its debts as and when they fall due;
- (d) the amount of Australian Government financial assistance expended during the reporting period was for the purpose for which it was intended;
- (e) The University of Adelaide has complied with applicable legislation, contracts, agreements and programme guidelines in making expenditure of the Australian Government financial assistance;
- (f) internal controls over financial reporting have been effective throughout the reporting period; and
- (g) The University of Adelaide has charged Student Services and Amenities Fees strictly in accordance with the Higher Education Support Act 2003 and the Administration Guidelines made under the Act. Revenue from the fees were spent strictly in accordance with the Act and only on services and amenities specified in subsection 19-38(4) of the Act.

We are not aware, at the date of signing this Statement, of any circumstances which would render any particulars included in the Financial Statements to be misleading or inaccurate.

Signed in accordance with a resolution of the Council of The University of Adelaide.



REAR ADMIRAL THE HONOURABLE
KEVIN SCARCE AC CSC RAN (Rtd)
Chancellor



PROFESSOR WARREN BEBBINGTON
Vice-Chancellor and President



MR TONY MITCHELL
Chief Financial Officer

30th March 2016



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ABN 53 327 061 410
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www.audit.sa.gov.au

**To the Chancellor
University of Adelaide**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 25(2) of the *University of Adelaide Act 1971*, I have audited the accompanying financial report of the University of Adelaide and the consolidated entity comprising the University of Adelaide and its controlled entities for the financial year ended 31 December 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 31 December 2015
- a Statement of Financial Position as at 31 December 2015
- a Statement of Changes in Equity for the year ended 31 December 2015
- a Statement of Cash Flows for the year ended 31 December 2015
- notes, comprising a summary of significant accounting policies and other explanatory information.

The consolidated financial report comprises the University of Adelaide and the entities it controlled at the year's end or from time to time during the financial year.

The Council's Responsibility for the Financial Report

The Members of the Council 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*, the *Higher Education Support Act 2003* and Australian Accounting Standards, and for such internal control as the Members of the Council 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

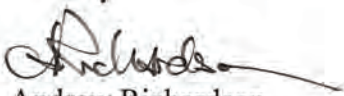
My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical 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 Council, as well as 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.

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the University of Adelaide and its controlled entities (the consolidated entity) as at 31 December 2015, their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, the *Higher Education Support Act 2003* and Australian Accounting Standards.



Andrew Richardson

Auditor-General

1 April 2016

University of South Australia

Financial report for the year ended 31 December 2015

**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 December 2015

	Notes	Consolidated		University	
		2015	2014	2015	2014
		\$'000	\$'000	\$'000	\$'000
Revenue from continuing operations					
Australian Government financial assistance					
Australian Government grants	3	260,362	258,406	260,362	258,406
HECS-HELP - Australian Government Payments	3	115,199	109,624	115,199	109,624
FEE-HELP	3	8,708	7,607	8,708	7,607
SA-HELP	3	2,882	2,733	2,882	2,733
State and local Government financial assistance	4	13,753	10,576	13,577	10,481
HECS-HELP - Student Payments		11,650	12,681	11,650	12,681
Fees and charges	5	120,083	116,260	120,083	116,260
Investment revenue	6	13,466	13,905	13,661	13,833
Royalties		208	347	146	102
Consultancy and contract research	7	35,126	38,266	35,392	38,065
Other income	8	14,815	12,518	14,748	12,904
Gains/(Losses) on disposal of assets	9	11,312	1,234	11,312	1,020
Total income from continuing operations		607,564	584,157	607,720	583,716
Expenses from continuing operations					
Employee related expenses	10	349,509	349,978	347,884	348,593
Depreciation and amortisation	11	32,410	32,146	32,404	32,132
Repairs and maintenance	12	17,119	19,670	17,118	19,667
Other expenses	13	152,344	153,454	153,931	155,047
Bad and doubtful debts	14	346	429	346	429
Total expenses from continuing operations		551,728	555,677	551,683	555,868
Operating result before income tax		55,836	28,480	56,037	27,848
Income tax (income)/expense		(16)	(1,175)	12	(1,243)
Operating result attributable to members of University of South Australia	26(b)	55,852	29,655	56,025	29,091
Items that may be reclassified to profit or loss:					
Available-for-sale financial assets valuation gains taken to equity	26(a)	9,208	214	9,208	214
Available-for-sale financial assets transfer to profit or loss	26(a)	(60)	(1,888)	(60)	(1,888)
Total		9,148	(1,674)	9,148	(1,674)
Items that will not be reclassified to profit or loss:					
Loss on revaluation of land and buildings	26(a)	(3,188)	-	(3,188)	-
Total		(3,188)	-	(3,188)	-
Total comprehensive income attributable to the members of the University of South Australia		61,812	27,981	61,985	27,417

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



STATEMENT OF FINANCIAL POSITION

AS AT 31 December 2015

	Notes	Consolidated		University	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Current assets					
Cash and cash equivalents	15	343,029	316,932	341,600	314,628
Receivables	16	22,216	25,980	22,358	26,018
Deferred Government superannuation contribution	31	30,300	30,100	30,300	30,100
Other non-financial assets	19	22,477	18,877	22,451	18,829
Total current assets		418,022	391,889	416,709	389,575
Non-current assets					
Other financial assets	18	24,580	8,170	26,337	10,209
Property, plant and equipment	20	808,479	803,625	808,473	803,610
Deferred tax assets		298	270	-	-
Intangible assets	21	3,727	3,145	3,727	3,145
Deferred Government superannuation contribution	31	418,306	441,588	418,306	441,588
Total non-current assets		1,255,390	1,256,798	1,256,843	1,258,552
Total assets		1,673,412	1,648,687	1,673,552	1,648,127
Current liabilities					
Trade and other payables	22	36,549	36,895	36,767	37,063
Provisions	24	56,291	50,415	56,155	50,290
Current tax liabilities		31	36	31	21
Other liabilities	25	48,653	65,030	49,146	65,050
Defined benefit obligation	31	30,300	30,100	30,300	30,100
Total current liabilities		171,824	182,476	172,399	182,524
Non-current liabilities					
Trade and other payables	22	1,191	1,322	1,191	1,322
Provisions	24	11,127	14,149	11,127	14,149
Defined benefit obligation	31	418,306	441,588	418,306	441,588
Total non-current liabilities		430,624	457,059	430,624	457,059
Total liabilities		602,448	639,535	603,023	639,583
Net assets		1,070,964	1,009,152	1,070,529	1,008,544
Equity					
Reserves	26(a)	190,003	178,772	190,003	178,772
Retained earnings	26(b)	880,961	830,380	880,526	829,772
Total equity		1,070,964	1,009,152	1,070,529	1,008,544

The above Statement of Financial Position should be read in conjunction with the accompanying notes.



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 December 2015

	Consolidated			University		
	Reserves	Retained earnings	Total	Reserves	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2014						
Profit or loss	180,446	800,725	981,171	180,446	800,681	981,127
Available-for-sale financial assets valuation gains taken to equity	-	29,655	29,655	-	29,091	29,091
Available-for-sale financial assets valuation gains taken to profit or loss	214	-	214	214	-	214
	(1,888)	-	(1,888)	(1,888)	-	(1,888)
Total comprehensive income	(1,674)	29,655	27,981	(1,674)	29,091	27,417
Balance as at 31 December 2014	178,772	830,380	1,009,152	178,772	829,772	1,008,544

	Consolidated			University		
	Reserves	Retained earnings	Total	Reserves	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2015						
Profit or loss	178,772	830,380	1,009,152	178,772	829,772	1,008,544
Available-for-sale financial assets valuation gains taken to equity	-	55,852	55,852	-	56,025	56,025
Available-for-sale financial assets valuation gains taken to profit or loss	9,208	-	9,208	9,208	-	9,208
	(60)	-	(60)	(60)	-	(60)
Loss on revaluation of land and buildings	(3,188)	-	(3,188)	(3,188)	-	(3,188)
Total comprehensive income	5,960	55,852	61,812	5,960	56,025	61,985
Transfers (from) / to Reserves	5,271	(5,271)	-	5,271	(5,271)	-
Balance as at 31 December 2015	190,003	880,961	1,070,964	190,003	880,526	1,070,529

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.



STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 December 2015

	Notes	Consolidated		University	
		2015	2014	2015	2014
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities:					
Inflows:					
Australian Government grants received	3(h)	383,469	375,543	383,469	375,543
OS-HELP (net)	3(h)	(715)	1,248	(715)	1,248
Superannuation Supplementation	3(h)	29,303	28,827	29,303	28,827
State and Local Government grants		13,856	9,696	13,680	9,601
HECS-HELP - Student payments		11,650	12,681	11,650	12,681
Receipts from student fees and other customers		129,880	124,322	129,308	124,177
Dividends received		2,168	1,730	2,389	1,730
Interest received		12,340	10,350	12,314	10,279
Royalties		208	347	146	102
Consultancy and contract research		33,727	35,074	34,145	34,764
Other receipts		16,881	12,652	16,821	13,042
GST recovered		8,712	9,212	8,870	9,401
Outflows:					
Payments to suppliers and employees (GST incl)		(576,853)	(573,466)	(576,089)	(573,561)
Net cash provided by / (used in) operating activities		64,626	48,216	65,291	47,834
Cash flows from investing activities:					
Inflows:					
Proceeds from sale of property, plant and equipment		30,186	92	30,186	92
Proceeds from sale of investments		2,240	2,963	2,240	2,963
Outflows:					
Payments for property, plant and equipment		(61,595)	(42,203)	(61,594)	(42,193)
Payments for investments		(9,360)	(2,219)	(9,151)	(1,744)
Net cash provided by / (used in) investing activities		(38,529)	(41,367)	(38,319)	(40,882)
Net increase / (decrease) in cash and cash equivalents		26,097	6,849	26,972	6,952
Cash and cash equivalents at the beginning of the financial year		316,932	310,083	314,628	307,676
Cash and cash equivalents at the end of the financial year	15	343,029	316,932	341,600	314,628

Non-cash investing and financing activities - refer to note 37.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.



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1. Summary of significant accounting policies

General information

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years reported unless otherwise stated. The financial statements include separate statements for the University of South Australia (the University) and the University and its subsidiaries (Consolidated Entity).

(a) Basis of preparation

The annual financial statements represent the audited general purpose financial statements which have been prepared on an accrual basis in accordance with Australian Accounting Standards, AASB Interpretations, requirements of the Department of Education and Training (EDUCATION) and other State / Australian Government legislative requirements.

The University applies Tier 1 reporting requirements. Except where in conflict with the EDUCATION requirements, the financial statements are prepared in accordance with the South Australian Treasurer's Instructions and Accounting Policy Statements issued under the provisions of the Public Finance and Audit Act 1987.

In our opinion, the financial statements and notes of the Consolidated Entity comply with Australian Standards, some of which contain requirements specific to not-for-profit entities that are inconsistent with International Financial Reporting Standards.

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars and presented in Australian dollars.

Historical cost convention

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

Critical accounting estimates

Compliance with Australian Accounting Standards requires certain critical accounting estimates and assumptions to be applied in preparing the financial statements. Further, it requires management to exercise judgement in applying the University's accounting policies. Management's judgement is based on estimates and associated assumptions which are supported by historical experience and other reasonable factors.

The areas involving a high degree of judgement where assumptions and estimates are significant to the financial statements are other financial assets, superannuation receivable and associated defined benefit obligation, long service leave provision, and valuation and depreciation of property, plant and equipment. Further details are disclosed in the relevant notes to the financial statements.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period which it effects. If the revision affects both current and future periods, the revision is recognised in the period of the revision and future periods.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the University as at 31 December 2015 and the results of all subsidiaries for the year then ended. The University and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.



1. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

Subsidiaries are all those entities over which the Group has control. The Group has control over an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power over the investee exists when the Group has existing rights that give it current ability to direct the relevant activities of the investee. Returns are not necessarily monetary and can be only positive, only negative, or both positive and negative.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Details of subsidiaries are set out in Note 32.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group has no material investments in associates and therefore they are not incorporated in the financial statements (refer to Note 33).

(iii) Joint arrangements

Under AASB 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

Joint operations

If material, the share of assets, liabilities and expenses of a joint operation are incorporated in the financial statements under the appropriate headings. Details of joint operations are set out in Note 34(a). The University's interests in these joint operations are not considered to be material to the University's core activities and therefore are not incorporated in the financial statements.

Joint ventures

If material, interests in a joint venture are accounted for in the consolidated financial statements using the equity method, after initially being recognised at cost by the University. Under the equity method the Group's share of the profits or losses of the entity are recognised in the Statement of Comprehensive Income, and the share of movements in reserves in the Statement of Comprehensive Income and the Statement of Changes in Equity.

Details of joint ventures are set out in Note 34(b). The University's interests in these joint ventures are not considered to be material to the University's core activities and therefore are not incorporated in the financial statements.



1. Summary of significant accounting policies (continued)

(c) Foreign currency translation

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

(d) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances rebates and amounts collected on behalf of third parties.

Revenue is recognised for the major business activities as follows:

(i) Financial assistance

EDUCATION financial assistance (including Commonwealth Grant Scheme, Higher Education Loan Programs, Scholarships and EDUCATION Research)

The University recognises EDUCATION financial assistance as revenue in the year in which it had been designated for the funding of teaching and research.

Other financial assistance (including ARC, NHMRC, Australian Government and State Government)

Grants received which have specified conditions which give the grantor the right to recall funds not spent in accordance with the specific agreement imposes on the University a performance obligation. That is, the University is required to consume the future economic benefits of the grant as specified, or return the grant to the grantor. Therefore these grants are deferred until this performance obligation has been extinguished and the grant funds have been expended in accordance with their respective agreement or the grantor has exercised the right for funds to be repaid or transferred.

Other grants which do not contain specified conditions are recognised on receipt.

(ii) Fees and charges

Fees and charges comprise revenue earned from the provision of programs and other services. Fees and charges are recognised in the period in which the programs or services are provided.

(iii) Investment income

Interest income is recognised as it accrues. Dividend income is recognised only when it is declared, determined or recommended by external entities before the 31 December reporting date.

(iv) Consultancy and contract research

Revenue from consultancy and contract research is recognised in the period in which the services are provided.

(v) Other revenue

Other revenue is recognised when the University obtains control or the right to receive the monies and the recognition criteria is met.



1. Summary of significant accounting policies (continued)

(e) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are due for settlement no more than 14 days from the date that invoice was issued for domestic Australian debtors, and no more than 30 days for other debtors.

Student fees receivables are recognised initially at fair value as at census date and are collectible at that point. Periodically these receivables are adjusted for any provision for impairment.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the University will not be able to collect all amounts due according to the original terms of receivables. The movement in the provision is recognised in the Statement of Comprehensive Income in the period in which receivables are adjusted to an estimated recoverable amount (at least annually).

(h) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date (the date on which the University commits to purchase or sell the asset). Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the University has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation surplus. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Statement of Comprehensive Income as gains and losses from investment securities.

If the market for a financial asset is not active (e.g. unlisted securities), the University attempts to establish fair value by using other valuation techniques. If no relevant or reliable fair value can be determined then the valuation basis reverts to original cost adjusted for impairment.



1. Summary of significant accounting policies (continued)

(h) Available-for-sale financial assets (continued)

The University assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss is removed from equity and recognised in the Statement of Comprehensive Income.

The University has investments in shares, fixed interest, property trusts and managed funds, which are classified as available-for-sale financial assets and measured at fair value.

(i) Property, plant and equipment

Property, plant and equipment original cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the University and the cost of the item can be measured reliably. Repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred (refer Note 12).

Revaluation increments are credited directly to the asset revaluation surplus except to the extent that the net increment reverses a net revaluation decrement previously recognised as an expense, in which case the revaluation increment is charged to the Statement of Comprehensive Income.

Revaluation decrements are debited directly to the asset revaluation surplus to the extent that a credit balance exists for that asset class. Any remainder of the net revaluation decrement is charged to the Statement of Comprehensive Income.

Revaluation increments and decrements are offset against one another within asset classes, but not otherwise.

Items of property, plant and equipment have been recognised in the financial statements as identified below. Expenditure on a single item of less than \$10,000 is generally not capitalised.

(i) Land

Land occupied by the University is either owned by the University or by the State Government. All land is recognised on the basis that the University effectively controls the land occupied and is shown at fair value based on periodic, but at least triennial, valuations by external independent valuers.

The last valuation was as at 31 December 2013 and was performed by R. Wood B AppSc PRM (VAL) AAPI from Opteon Pty Ltd (formerly Southwick Goodyear Pty Ltd). Land fair value estimates were based on the highest and best use of the land, being the existing use as University campuses and valued separately from any structures or improvements residing on it, but having regard to any restrictions of its use. Detail of restrictions on assets is provided in Note 1(i).



1. Summary of significant accounting policies (continued)

(i) Property, plant and equipment (continued)

(ii) Buildings

Buildings, other than buildings under construction, have been recognised on a fair value basis which management have concluded is approximated by written down current cost. These fair value estimates are based on periodic, but at least triennial, valuations by external independent valuers.

As at 31 December 2013, the entire buildings portfolio was re-valued independently by R. Wood B AppSc PRM(VAL) AAPI from Opteon Pty Ltd (formerly Southwick Goodyear Pty Ltd). Buildings fair value estimates were based on the highest and best use, being the existing use as University campuses. The valuation approach adopted has been to assess the 'written down current cost' for the Buildings. 'New replacement' costs on the basis of a modern equivalent were assessed and then generally depreciated using the 'straight line' method, having regard to the estimated useful and remaining life for each structure.

Buildings under construction and buildings commissioned or purchased after the valuation are measured at cost.

(iii) Library collection

The library collection was internally revalued on 31 December 2014 to fair value based upon the written down cost of the most recent price inputs. The University has determined that subsequent acquisitions are measured at historical cost which approximates fair value with the University no longer revaluing the library collection. The value is depreciated over a ten to fifteen year period on a straight-line basis.

(iv) Plant and equipment

Plant and equipment includes computer hardware and software, general equipment and vehicles. Plant and equipment is depreciated in accordance with Note 1(k). The carrying value, cost less accumulated depreciation, is deemed to be approximate fair value.

(v) Art collection

As at 31 December 2013, the University internally valued its art collection at fair value with the offsetting adjustments to the art collection revaluation surplus. The 2013 valuation resulted in an increase to the fair value of the art collection of \$0.665 million. The art collection will be internally re-valued by the Director: Samstag Museum of Art every three years giving consideration to current sales and auctions of works by the same artist and /or similar genre.

(vi) Leased assets

Leases of property, plant and equipment where the University has substantially all the risks and rewards of ownership are classified as finance leases. As at 31 December 2015 there are no finance leases.

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis, over the period of the lease. Refer to Note 30(b) for details on operating leases.



1. Summary of significant accounting policies (continued)

(j) Fair value measurement

The fair value of assets and liabilities must be measured for recognition and disclosure purposes.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value of assets or liabilities traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices for identical assets or liabilities at the end of the reporting period (Level 1). The quoted market price used for assets held by the Group is the most representative of fair value in the circumstances within the bid-ask spread.

The fair value of assets or liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments (Level 2) are used for long-term debt instruments held. Other techniques that are not based on observable market data (Level 3) such as estimated discounted cash flows, are used to determine fair value for the remaining assets and liabilities. The level in the fair value hierarchy is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Fair value measurement of non-financial assets is based on the *highest and best use* of the asset. The Group considers market participants use of, or purchase price of the asset, to use it in a manner that would be highest and best use.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

**1. Summary of significant accounting policies (continued)****(k) Depreciation**

Depreciation is provided for all property, plant and equipment other than land, art collection and buildings under construction. The Consolidated Entity does not depreciate the art collection because it believes that the service potential of the art collection has not, in any material sense, been consumed during the reporting period. Depreciation is calculated on a straight line basis to allocate the written down current cost of an asset over its estimated remaining useful life.

Assets class	Useful Life
Property:	
Buildings	50 - 150 years
Leasehold improvements	Lease term
Library collection:	
Books	10 years
Journals	15 years
Electronic materials	10 years
Plant and equipment:	
IT infrastructure	5 years
IT systems	6 - 7 years
IT other	3 years
Motor vehicles	5 years
Other	10 years
Leased plant and equipment:	
IT infrastructure	5 years
IT other	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(l) Restrictions on assets

Land includes \$44.910 million (2014: \$49.659 million) of Crown Lands and \$14.900 million (2014: \$14.900 million) of land dedicated for educational use.

The University has restrictions on the above land by application of the University of South Australia Act, 1990 Section 6(3).

(m) Intangible assets and amortisation

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the Statement of Comprehensive Income as an expense when it is incurred.

With respect to internally generated intangible assets, expenditure on development activities is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Statement of Comprehensive Income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost over the period of the expected benefit, which is currently between 6 and 7 years.

Intangibles in progress represent capitalised expenditure where the project was incomplete at balance date. The expenditure is capitalised upon the completion of the project.



1. Summary of significant accounting policies (continued)

(n) Unfunded superannuation

An arrangement exists between the Australian Government and the South Australian State Government to share the unfunded liability of the University's beneficiaries of the South Australian State Superannuation Scheme on an emerging cost basis. This arrangement is evidenced by *Higher Education Funding Act 1988* and subsequent amending legislation. Accordingly, the unfunded liabilities have been recognised in the Statement of Financial Position as a liability with a corresponding asset. The recognition of both the asset and the liability consequently does not affect the year end net asset position of the University or the Group (refer to Note 31)

The recognition of the expense in the face statements is offset by the revenue received from the Australian Government. The Superannuation Supplementation Program funding is not recognised as revenue in the Statement of Comprehensive Income since it is in respect of an existing liability. Rather a net amount is shown as an "ordinary" expense within employee related expenses. As the University has a defined benefit plan which is fully covered by the Superannuation Supplementation program it has reported a nil expense in the Statement of Comprehensive Income.

(o) Trade and other payables

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

(p) Employee benefits provisions

Employee benefits expected to be settled within twelve months have been recognised at their nominal amount. These liabilities are measured at the amounts expected to be paid when the liability is settled. Employee entitlements expected to be settled later than twelve months have been measured at the present value of the estimated applicable future cash flows.

(i) Short-term obligations

Liabilities for short-term employee benefits including wages and salaries and non-monetary benefits are measured at the amount expected to be paid when the liability is settled, if it is expected to be settled wholly before twelve months after the end of the reporting period, and is recognised in provision for employee benefits. 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.

(ii) Other long-term obligations

Liabilities for other long-term employee benefits are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Regardless of the expected timing of settlements, provisions made in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlements of the liability for at least twelve months after the reporting date, in which case it would be classified as a non-current liability. Provisions made for annual leave and unconditional long service leave would be classified as a current liability where the employee has a present entitlement to the benefit. A non-current liability would include long service leave entitlements accrued for employees with less than 7 years of continuous service.

The long service leave and annual leave liability is independently actuarially estimated each year in accordance with AASB 119 Employee Benefits. The last update was performed at 31 December 2015 by Bruce Watson FIA, FIAA of Brett & Watson Pty Ltd.



1. Summary of significant accounting policies (continued)

(p) Employee benefits provisions (continued)

(iii) Superannuation

Superannuation schemes exist to provide benefits to University employees and their dependants upon resignation, retirement, disability or death. The University recognises an expense in the Statement of Comprehensive Income for contributions paid to the funded schemes and on an emerging cost basis for the unfunded schemes. Note 31 provides details of the individual schemes.

(q) Workers' compensation

The University is responsible for payments of workers' compensation.

The provision for workers' compensation is independently actuarially estimated each year. The last update was performed at 31 December 2015 by Laurie Brett FIA, FIAA of Brett & Watson Pty Ltd using Case Estimation Methodology. Under this methodology, consideration is given to individual case estimates of all open claims plus an allowance for incurred but not reported claims, re-opening of claims regarded as closed and unforeseen escalation of case estimates as more information becomes available.

(r) Funds held on behalf of external entities

The University holds funds on behalf of a number of external entities which are managed by the University. As at balance date, the funds held are included in cash and cash equivalents and a corresponding liability is included in other liabilities (refer Note 25).

(s) Goods and Services Tax (GST)

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included in receivables or payables in the Statement of Financial Position.

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

(t) Income tax

The University is exempt from income tax pursuant to Division 50 of the Income Tax Assessment Act 1997. The University subsidiaries are not exempt from income tax. Income tax expense or benefit for the period is calculated as the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities extinguished. In relation to foreign operations, the University is subject to tax under the Tax Acts applicable in some foreign countries. Tax in respect of these operations has been brought to account in the year it is incurred.

**1. Summary of significant accounting policies (continued)****(u) Interests in Co-operative Research Centres**

The University has an interest in eight Co-operative Research Centres. During 2015 the University provided funding to Co-operative Research Centres through cash contributions and research resources (in-kind) support.

The Co-operative Research Centres are:

Automotive Australia 2020 CRC
 Co-operative Research Centre for Cell Therapy Manufacturing
 Co-operative Research Centre for Contamination Assessment and Remediation of the Environment II
 Co-operative Research Centre for Low Carbon Living
 Co-operative Research Centre for Remote Economic Participation
 Data to Decisions Co-operative Research Centre
 Wound Management Innovation Co-operative Research Centre
 Young and Well Co-operative Research Centre

(v) Changes in accounting policies

Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the University for the reporting period ending 31 December 2015 except for AASB 2015-7 *Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities* which the University has early adopted. The University has assessed the impact of the new and amended standards and interpretations and considers the impact to be immaterial.

(w) Comparative Amounts

Where necessary, comparative information has been reclassified to enhance comparability in respect of changes in presentation adopted in the current year.

(x) Rounding of amounts

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

2. Disaggregated information (Consolidated)**Geographical**

	Revenue		Results		Total Assets	
	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australia	605,433	580,057	55,756	29,470	1,673,369	1,648,612
Asia	2,131	4,100	96	185	43	75
Total	607,564	584,157	55,852	29,655	1,673,412	1,648,687

The University operates in the field of higher education principally in Australia and provides teaching and research services. The results of the geographical segments, other than Australia, are based upon consideration of the variable costs associated with those operations.



3. Australian Government financial assistance including HECS-HELP and FEE-HELP

(a) Commonwealth Grants Scheme and Other Grants

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$'000	\$'000	\$'000	\$'000
Commonwealth Grants Scheme		175,210	168,174	175,210	168,174
Indigenous Support Program		1,064	1,113	1,064	1,113
Partnership and Participation Program		7,186	5,924	7,186	5,924
Disability Support Program		107	84	107	84
Diversity and Structural Adjustment Fund		1,814	1,296	1,814	1,296
Promotion of Excellence in Learning and Teaching		417	347	417	347
Australian Maths & Science Partnership Program		253	-	253	-
Total Commonwealth Grants Scheme and Other Grants	40(a)	186,051	176,938	186,051	176,938

(b) Higher Education Loan Programs

	Note				
HECS-HELP - Australian Government Payments		115,199	109,624	115,199	109,624
FEE-HELP		8,708	7,607	8,708	7,607
SA-HELP		2,882	2,733	2,882	2,733
Total Higher Education Loan Programs	40(b)	126,789	119,964	126,789	119,964

(c) Scholarships

	Note				
Australian Postgraduate Awards		5,932	5,771	5,932	5,771
International Postgraduate Research Scholarships		472	470	472	470
Commonwealth Education Costs Scholarship		45	(7)	45	(7)
Commonwealth Accommodation Scholarships		25	35	25	35
Indigenous Access scholarships		29	28	29	28
Total Scholarships	40(c)	6,503	6,297	6,503	6,297



3. Australian Government financial assistance including HECS-HELP and FEE-HELP (continued)

(d) Education Research

	Note	Consolidated		University	
		2015	2014	2015	2014
		\$'000	\$'000	\$'000	\$'000
Joint Research Engagement Program		7,855	7,491	7,855	7,491
JRE Engineering Cadetships		121	90	121	90
Research Training Scheme		13,374	13,294	13,374	13,294
Research Infrastructure Block Grants		2,919	2,869	2,919	2,869
Sustainable Research Excellence in Universities		2,214	2,023	2,214	2,023
Total Education Research	40(d)	26,483	25,767	26,483	25,767

(e) Other Capital Funding

	Note				
Education Investment Fund		4,750	10,170	4,750	10,170
Total Other Capital Funding	40(e)	4,750	10,170	4,750	10,170

(f) Australian Research Council

	Note				
(i) Discovery					
Projects		1,611	2,630	1,611	2,630
Fellowships		1,702	2,482	1,702	2,482
Indigenous Researchers Development		358	152	358	152
Total Discovery	40(f)(i)	3,671	5,264	3,671	5,264
(ii) Linkages					
Infrastructure		182	1,244	182	1,244
Projects		1,943	2,189	1,943	2,189
Industrial Transformational Research Program		179	11	179	11
Total Linkages	40(f)(ii)	2,304	3,444	2,304	3,444
(iii) Networks and Centres					
Centres	40(f)(iii)	417	197	417	197
Total Networks and Centres		417	197	417	197
Special Research Initiatives	40(f)(iii)	-	13	-	13
Total ARC		6,392	8,918	6,392	8,918


3. Australian Government financial assistance including HECS-HELP and FEE-HELP (continued)
(g) Other Australian Government financial assistance

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Non-capital				
Indigenous Tutorial Assistance Scheme	351	479	351	479
Other Commonwealth grants	6,695	4,773	6,695	4,773
Other Australian Government research grants	23,137	24,514	23,137	24,514
Total Non-capital	30,183	29,766	30,183	29,766
Capital				
Other Commonwealth grants	-	550	-	550
Total Capital	-	550	-	550
Total Other Australian Government financial assistance	30,183	30,316	30,183	30,316
Total Australian Government financial assistance	387,151	378,370	387,151	378,370
Reconciliation				
Australian Government grants	260,362	258,406	260,362	258,406
HECS-HELP payments	115,199	109,624	115,199	109,624
FEE-HELP	8,708	7,607	8,708	7,607
SA-HELP	2,882	2,733	2,882	2,733
Total Australian Government financial assistance	387,151	378,370	387,151	378,370



3. Australian Government financial assistance including HECS-HELP and FEE-HELP (continued)

(h) Australian Government Grants received - cash basis

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
CGS and Other EDUCATION Grants	183,577	175,793	183,577	175,793
Higher Education Loan Programs	126,121	118,296	126,121	118,296
Scholarships	6,449	6,351	6,449	6,351
EDUCATION Research	26,484	25,767	26,484	25,767
Other Capital Funding	10,000	4,920	10,000	4,920
ARC grants - Discovery	3,272	5,533	3,272	5,533
ARC grants - Linkages	2,608	3,444	2,608	3,444
Other Australian Government Grants	24,958	35,439	24,958	35,439
Total Australian Government Grants received - cash basis	383,469	375,543	383,469	375,543
OS-HELP (Net)	(715)	1,248	(715)	1,248
Superannuation Supplementation	29,303	28,827	29,303	28,827
Total Australian Government funding received - cash basis	412,057	405,618	412,057	405,618

4. State and Local Government financial assistance

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Non-capital				
Research grants	7,593	9,272	7,799	9,305
Other	550	515	168	387
Total	8,143	9,787	7,967	9,692
Capital				
Other	5,610	789	5,610	789
Total	5,610	789	5,610	789
Total State and Local Government financial assistance	13,753	10,576	13,577	10,481


5. Fees and charges

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Course Fees and Charges				
Fee-paying onshore overseas students	91,226	87,048	91,226	87,048
Fee-paying offshore overseas students	2,171	4,002	2,171	4,002
Continuing education	903	531	903	531
Fee-paying domestic postgraduate students	3,653	4,370	3,653	4,370
Total Course Fees and Charges	97,953	95,951	97,953	95,951
Other Fees and Charges				
Miscellaneous Enrolment Fees	9,120	7,816	9,120	7,816
Other fees and charges	9,454	9,745	9,454	9,745
Seminar / Workshop Fees	1,671	1,216	1,671	1,216
Student Services Fees from students	1,885	1,532	1,885	1,532
Total Other Fees and Charges	22,130	20,309	22,130	20,309
Total Fees and Charges	120,083	116,260	120,083	116,260

6. Investment revenue

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Dividends and distributions	2,290	1,807	2,510	1,807
Interest	11,176	12,098	11,151	12,026
Total investment revenue	13,466	13,905	13,661	13,833

7. Consultancy and contract research

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Consultancy	3,399	5,231	3,393	4,413
Contracts	31,727	33,035	31,999	33,652
Total consultancy and contract research	35,126	38,266	35,392	38,065



8. Other revenue

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Donations and bequests	1,990	1,220	1,990	1,220
Scholarships and prizes	1,636	1,575	1,636	1,575
Other fees and charges	6,199	6,263	6,111	6,634
Other*	4,990	3,460	5,011	3,475
Total other revenue	14,815	12,518	14,748	12,904

* Net foreign exchange gains included in other revenue for 2015 were \$0.816 million University (\$0.812 million Consolidated) (2014: Net foreign exchange gains included in other revenue \$0.497 million University and \$0.490 million Consolidated).

9. Gains/(Losses) on disposal of assets

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
(a) Disposal of property, plant and equipment				
Proceeds from sale	30,186	92	30,186	92
Carrying amount of assets sold	(19,355)	(934)	(19,355)	(934)
Net Gain/(Loss) on disposal of property, plant and equipment	10,831	(842)	10,831	(842)
(b) Sale of shares				
Available-for-sale investments	481	2,076	481	1,862
Total of Net Gain/(Loss) on disposal of assets	11,312	1,234	11,312	1,020



10. Employee related expenses

(a) Employee related expenses

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Academic				
Salaries	146,871	145,753	146,837	145,794
Contributions to superannuation and pension schemes:				
Emerging cost	349	458	349	458
Funded	21,482	22,007	21,482	22,007
Payroll tax	8,778	9,119	8,778	9,119
Workers' compensation	65	108	65	108
Long service leave	3,374	5,728	3,374	5,728
Annual leave	10,250	9,323	10,250	9,323
Total academic	191,169	192,496	191,135	192,537
Non-academic				
Salaries	118,225	116,492	116,848	115,250
Contributions to superannuation and pension schemes:				
Emerging cost	184	199	61	84
Funded	18,437	18,675	18,437	18,675
Payroll tax	7,542	7,216	7,462	7,142
Workers' compensation	564	88	565	88
Long service leave	3,984	5,865	3,971	5,868
Annual leave	9,172	8,725	9,173	8,727
Total non-academic	158,108	157,260	156,517	155,834
Total academic & non-academic employee related benefits	349,277	349,756	347,652	348,371
Council member remuneration	232	222	232	222
Total employee related expenses	349,509	349,978	347,884	348,593

**10. Employee related expenses (continued)****(b) Voluntary separation packages**

Employee related expenses include voluntary separation packages paid during the year as follows:

	Consolidated		University	
	2015	2014	2015	2014
	Number	Number	Number	Number
Number of voluntary separation packages	34	9	34	9
	\$'000	\$'000	\$'000	\$'000
Voluntary separation packages expenses	3,045	945	3,045	945
Annual leave and long service leave entitlements paid	897	273	897	273
Total amount associated with separations	3,942	1,218	3,942	1,218

There is no entitlement to recover separation payments from the South Australian Department of the Premier and Cabinet.

11. Depreciation and amortisation

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Depreciation				
Buildings	20,545	19,912	20,545	19,912
Leasehold improvements	429	664	429	664
Library collection	2,192	2,023	2,192	2,023
Plant and equipment	8,496	8,116	8,490	8,102
Total depreciation	31,662	30,715	31,656	30,701
Amortisation				
Intangibles	748	1,431	748	1,431
Total amortisation	748	1,431	748	1,431
Total depreciation and amortisation	32,410	32,146	32,404	32,132

12. Repairs and maintenance

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Buildings	15,816	12,724	15,815	12,721
Grounds	1,303	6,946	1,303	6,946
Total repairs and maintenance	17,119	19,670	17,118	19,667


13. Other expenses

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Scholarships, grants and prizes	22,923	23,376	22,923	23,376
Non-capitalised equipment	6,939	5,182	6,939	5,182
Advertising, marketing and promotion	6,727	6,879	6,714	6,867
Telecommunications	3,541	3,780	3,526	3,769
Travel, staff development and entertainment	18,137	17,058	17,947	16,946
External services*	49,355	49,453	51,576	51,282
IT hardware and software	12,988	14,840	12,958	14,817
Library subscriptions	5,341	4,610	5,341	4,610
Printing	1,265	983	1,265	983
Operating lease rental expenses	1,089	1,736	1,089	1,736
Bank charges, legal costs, insurance and taxes	4,983	5,262	4,605	5,215
General consumables	6,874	7,412	6,851	7,388
Other	12,182	12,883	12,197	12,876
Total other expenses	152,344	153,454	153,931	155,047

* Included within external services for 2015 is an amount for consultants of \$1.806 million University (\$1.914 million Consolidated) exclusive of GST (2014: \$2.451 million University, \$2.628 million Consolidated). This amount excludes consultant payments for the capital works program.

14. Bad and doubtful debts

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Bad and doubtful debts	346	429	346	429
Total bad and doubtful debts	346	429	346	429

**15. Cash and cash equivalents**

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	9,273	8,284	9,178	7,786
Deposits at call	333,756	308,648	332,422	306,842
Total cash and cash equivalents	343,029	316,932	341,600	314,628

(a) Reconciliation to cash at the end of the year

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Balances as per Statement of Financial Position	343,029	316,932	341,600	314,628
Balances as per Statement of Cash Flows	343,029	316,932	341,600	314,628

(b) Cash at bank and on hand

During the year cash earned an average of 0.53% (2014: 2.02%) and interest was credited to the University on a monthly basis.

(c) Deposits

During the year cash deposits earned interest at a fixed rate which ranged between 2.25% and 3.80% (2014: range between 3.05% and 4.33%). These deposits had an average maturity of 232 days (2014: 201 days).

16. Receivables

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Trade debtors	12,652	18,459	12,615	18,344
Less: Provision for impaired receivables	(166)	(151)	(166)	(151)
	12,486	18,308	12,449	18,193
Student fees	3,862	3,268	3,862	3,268
Less: Provision for impaired receivables	(562)	(647)	(562)	(647)
	3,300	2,621	3,300	2,621
Commonwealth receivables	3,925	2,559	3,925	2,559
Other	2,505	2,492	2,684	2,645
Total receivables	22,216	25,980	22,358	26,018

**16. Receivables (continued)****(a) Impaired receivables**

As at 31 December 2015 current trade receivables of the Group with a nominal value of \$0.141 million (2014: \$0.136 million) were specifically identified as impaired. The individually impaired receivables were assessed in consultation with local responsible managers. Factors considered in the assessment included the age of the debt combined with the particular circumstances and experience with similar debt types. In addition, current trade receivables were collectively evaluated for impairment based upon past due status and historical collection experience resulting in a further provision of \$0.025 million (2014: \$0.015 million). The total amount of the provision for impaired trade receivables was \$0.166 million (2014: \$0.151 million).

Trade receivables

The ageing analysis of impaired trade receivables is as follows:

	Consolidated	
	2015	2014
	\$'000	\$'000
Less than 3 months	-	-
3 to 6 months	164	79
Over 6 months	2	72
Total impaired trade receivables	166	151

As at 31 December 2015, trade receivables of \$5.791 million (2014: \$9.624 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of past due but not impaired receivables is as follows:

	Consolidated	
	2015	2014
	\$'000	\$'000
Less than 3 months	4,707	8,379
3 to 6 months	643	1,144
Over 6 months	441	101
	5,791	9,624

Movements in the trade debtors provision for impaired receivables are as follows:

	Consolidated	
	2015	2014
	\$'000	\$'000
At 1 January	151	160
Provision for impairment recognised during the year	151	136
Receivables written off during the year as uncollectible	(70)	(11)
Unused amount reversed and debts collected	(66)	(134)
At 31 December	166	151

**16. Receivables (continued)****(a) Impaired receivables (continued)****Student receivables**

As at 31 December 2015, student receivables of \$3.238 million (2014: \$2.322 million) were past due but not impaired. The ageing analysis of these receivables is as follows:

	Consolidated	
	2015	2014
	\$'000	\$'000
Less than 3 months	171	435
3 to 6 months	1,256	1,127
Over 6 months	1,811	760
	3,238	2,322

Movements in the student fees provision for impaired receivables are as follows:

	Consolidated	
	2015	2014
	\$'000	\$'000
At 1 January	647	692
Provision for impairment recognised during the year	360	488
Receivables written off during the year as uncollectible	(371)	(471)
Unused amount reversed and debts collected	(74)	(62)
At 31 December	562	647

The creation and release of the provision for impaired receivables has been included in 'Bad and doubtful debts expense' in the Statement of Comprehensive Income. Amounts charged to the provision account are written off when there is no expectation of recovering additional cash.

The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

(b) Foreign exchange and interest rate risk

The carrying amount of the Group and the University's receivables are denominated in Australian Dollars.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

17. Investments accounted for using the equity method

The University has no material investments in associates or joint venture entities which would be accounted for in the consolidated financial statements using the equity method of accounting.



18. Other financial assets

		Consolidated		University	
		2015	2014	2015	2014
	Note	\$'000	\$'000	\$'000	\$'000
Non-Current					
Shares in subsidiaries	32	-	-	4,100	4,000
Available-for-sale financial assets at fair value		24,580	8,170	22,237	6,209
Total other financial assets		24,580	8,170	26,337	10,209

19. Other non-financial assets

		Consolidated		University	
		2015	2014	2015	2014
		\$'000	\$'000	\$'000	\$'000
Current					
Prepayments		16,297	11,891	16,271	11,860
Accrued income		6,180	6,986	6,180	6,969
Total other non financial assets		22,477	18,877	22,451	18,829



20. Property, plant and equipment

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Land				
At valuation	122,570	128,030	122,570	128,030
At cost	9,276	9,276	9,276	9,276
Net book amount	131,846	137,306	131,846	137,306
Buildings				
At valuation	991,399	1,022,527	991,399	1,022,527
At cost	114,840	83,785	114,840	83,785
Accumulated depreciation	(517,567)	(512,061)	(517,567)	(512,061)
Net book amount	588,672	594,251	588,672	594,251
Construction in progress				
At cost	35,301	12,160	35,301	12,160
Net book amount	35,301	12,160	35,301	12,160
Plant and equipment				
At cost	87,264	84,073	87,190	83,996
Accumulated depreciation	(55,013)	(49,637)	(54,945)	(49,575)
Net book amount	32,251	34,436	32,245	34,421
Leasehold improvements				
At cost	7,215	10,362	7,215	10,362
Accumulated amortisation	(5,322)	(5,107)	(5,322)	(5,107)
Net book amount	1,893	5,255	1,893	5,255
Art collection				
At valuation	3,279	3,279	3,279	3,279
At cost	33	20	33	20
Net book amount	3,312	3,299	3,312	3,299
Library collection				
At valuation	21,122	24,686	21,122	24,686
At cost	1,946	-	1,946	-
Accumulated depreciation	(10,034)	(10,920)	(10,034)	(10,920)
Net book amount	13,034	13,766	13,034	13,766
Plant and equipment in progress				
At cost	2,170	3,152	2,170	3,152
Net book amount	2,170	3,152	2,170	3,152
Total property, plant and equipment	808,479	803,625	808,473	803,610



20. Property, plant and equipment (continued)

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

Consolidated	Construction in progress	Land	Buildings	Plant and equipment	Plant and equipment in progress	Leasehold improvements	Library collection	Art collection	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 December 2014									
Opening net book amount	77,843	128,030	530,378	35,075	2,608	2,772	13,737	3,279	793,722
Revaluation	-	-	-	-	-	-	(309)	-	(309)
Additions	24,213	9,276	-	6,365	2,462	-	2,370	10	44,696
Disposals	-	-	-	(926)	-	-	(9)	-	(935)
Reclassifications	(87,123)	-	83,785	2,038	(1,857)	3,147	-	10	-
Depreciation/amortisation charge	-	-	(19,912)	(8,116)	-	(664)	(2,023)	-	(30,715)
Other changes, movements	(2,773)	-	-	-	(61)	-	-	-	(2,834)
Closing net book amount	12,160	137,306	594,251	34,436	3,152	5,255	13,766	3,299	803,625
Year ended 31 December 2015									
Opening net book amount	12,160	137,306	594,251	34,436	3,152	5,255	13,766	3,299	803,625
Additions	54,797	-	-	3,685	1,991	-	1,965	-	62,438
Disposals	-	(4,750)	(13,693)	(407)	-	-	(505)	-	(19,355)
Reclassifications	(31,281)	-	31,137	3,037	(2,906)	-	-	13	-
Depreciation/amortisation charge	-	-	(20,545)	(8,496)	-	(429)	(2,192)	-	(31,662)
Revaluation	-	(710)	(2,478)	-	-	-	-	-	(3,188)
Other changes, movements	(375)	-	-	(4)	(67)	(2,933)	-	-	(3,379)
Closing net book amount	35,301	131,846	588,672	32,251	2,170	1,893	13,034	3,312	808,479



20. Property, plant and equipment (continued)

University	Construction in progress \$'000	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Plant and equipment in progress \$'000	Leasehold improvements \$'000	Library collection \$'000	Art collection \$'000	Total \$'000
Year ended 31 December 2014									
Opening net book value	77,843	128,030	530,378	35,054	2,608	2,772	13,737	3,279	793,701
Revaluation	-	-	-	-	-	-	(309)	-	(309)
Additions	24,213	9,276	-	6,356	2,462	-	2,370	10	44,687
Disposals	-	-	-	(925)	-	-	(9)	-	(934)
Reclassifications	(87,123)	-	83,785	2,038	(1,857)	3,147	-	10	-
Depreciation/amortisation charge	-	-	(19,912)	(8,102)	-	(664)	(2,023)	-	(30,701)
Other changes, movements	(2,773)	-	-	-	(61)	-	-	-	(2,834)
Closing net book amount	12,160	137,306	594,251	34,421	3,152	5,255	13,766	3,299	803,610
Year ended 31 December 2015									
Opening net book value	12,160	137,306	594,251	34,421	3,152	5,255	13,766	3,299	803,610
Additions	54,797	-	-	3,684	1,991	-	1,965	-	62,437
Disposals	-	(4,750)	(13,693)	(407)	-	-	(505)	-	(19,355)
Reclassifications	(31,281)	-	31,137	3,037	(2,906)	-	-	13	-
Depreciation/amortisation charge	-	-	(20,545)	(8,490)	-	(429)	(2,192)	-	(31,656)
Revaluation	-	(710)	(2,478)	-	-	-	-	-	(3,188)
Other changes, movements	(375)	-	-	-	(67)	(2,933)	-	-	(3,375)
Closing net book amount	35,301	131,846	588,672	32,245	2,170	1,893	13,034	3,312	808,473



21. Intangible assets

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Intangibles in progress				
At cost	1,618	328	1,618	328
Net closing book amount	1,618	328	1,618	328
Other intangible assets				
At cost	10,663	10,623	10,663	10,623
Accumulated amortisation and impairment	(8,554)	(7,806)	(8,554)	(7,806)
Net closing book amount	2,109	2,817	2,109	2,817
Total Intangibles	3,727	3,145	3,727	3,145

	Consolidated		
	Intangibles in progress	Other intangible assets	Total
	\$'000	\$'000	\$'000
Year ended 31 December 2015			
Balance at the beginning of the year	328	2,817	3,145
Additions	1,290	40	1,330
Amortisation charge	-	(748)	(748)
Closing value at 31 December 2015	1,618	2,109	3,727
Year ended 31 December 2014			
Balance at the beginning of the year	-	4,173	4,173
Additions	328	75	403
Amortisation charges	-	(1,431)	(1,431)
Closing value at 31 December 2014	328	2,817	3,145



21. Intangible assets (continued)

	University		
	Intangibles in progress	Other intangible assets	Total
	\$'000	\$'000	\$'000
Year ended 31 December 2015			
Balance at the beginning of the year	328	2,817	3,145
Additions	1,290	40	1,330
Amortisation charge	-	(748)	(748)
Closing value at 31 December 2015	1,618	2,109	3,727
Year ended 31 December 2014			
Balance at the beginning of the year	-	4,173	4,173
Additions	328	75	403
Amortisation charge	-	(1,431)	(1,431)
Closing value at 31 December 2014	328	2,817	3,145

22. Payables

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Current				
Trade creditors	23,421	23,796	23,639	23,964
Accrued salaries	3,700	3,402	3,700	3,402
Annual leave on-costs	4,899	4,737	4,899	4,737
Long service leave on-costs	3,946	3,662	3,946	3,662
OS-HELP liability to Australian Government	583	1,298	583	1,298
Total current payables	36,549	36,895	36,767	37,063
Non-current				
Long service leave on-costs	1,191	1,322	1,191	1,322
Total non-current payables	1,191	1,322	1,191	1,322
Total payables	37,740	38,217	37,958	38,385

(a) Foreign exchange and interest rate risk

The carrying amounts of the Group and the University's payables are denominated in Australian Dollars.

**23. Borrowings**

The University does not hold any borrowings.

(a) Financing arrangements

Unrestricted access was available at reporting date to the following lines of credit:

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Credit standby arrangements				
Total facilities				
Credit card facility with National Australia Bank (NAB)	8,000	8,000	8,000	8,000
Credit card facility with American Express (Amex)	-	1,080	-	1,080
Documentary letter of credit facility with NAB Bank Guarantee	200	200	200	200
	5,100	5,100	5,100	5,100
Total credit standby arrangements	13,300	14,380	13,300	14,380
Used at balance date				
Credit card facility with NAB	3	6	3	6
Credit card facility with Amex	-	124	-	124
Documentary letter of credit facility with NAB Bank Guarantee	-	-	-	-
	2,600	2,600	2,600	2,600
Total used at balance date	2,603	2,730	2,603	2,730
Unused at balance date				
Credit card facility with NAB	7,997	7,994	7,997	7,994
Credit card facility with Amex	-	956	-	956
Documentary letter of credit facility with NAB Bank Guarantee	200	200	200	200
	2,500	2,500	2,500	2,500
Total unused at balance date	10,697	11,650	10,697	11,650



24. Provisions

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Current provisions expected to be settled within 12 months				
Annual leave	13,187	12,786	13,131	12,729
Long service leave	5,557	5,231	5,477	5,163
Separation scheme	1,305	-	1,305	-
Workers' compensation liability	502	426	502	426
	20,551	18,443	20,415	18,318
Current provisions expected to be settled after more than 12 months				
Annual leave	7,201	7,053	7,201	7,053
Long service leave	28,539	24,919	28,539	24,919
	35,740	31,972	35,740	31,972
Total current provisions	56,291	50,415	56,155	50,290
Non-current				
Long service leave	10,483	13,547	10,483	13,547
Workers' compensation liability	644	602	644	602
Total non-current provisions	11,127	14,149	11,127	14,149
Total provisions	67,418	64,564	67,282	64,439

Movements in the Workers' compensation liability are set out below:

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Carrying amount at start of year	1,028	1,615	1,028	1,615
Additional provisions recognised	685	640	685	640
Amounts used	(556)	(438)	(556)	(438)
Unused amounts reversed	-	(751)	-	(751)
Increase/(decrease) in discounted amount	(11)	(38)	(11)	(38)
Carrying amount at end of year	1,146	1,028	1,146	1,028



25. Other liabilities

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Current				
Funds held on behalf of external entities	2,924	9,691	2,840	9,512
Income in advance on incomplete projects	915	1,251	915	1,251
Fees and charges	14,637	14,327	14,637	14,327
Cwlth and State Government grants	26,523	33,915	26,523	33,915
Other	3,654	5,846	4,231	6,045
Total other liabilities	48,653	65,030	49,146	65,050



26. Reserves and retained earnings

(a) Reserves

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment revaluation surplus				
Land and Buildings	178,763	176,680	178,763	176,680
Art collection	1,089	1,089	1,089	1,089
Library collection	-	-	-	-
	179,852	177,769	179,852	177,769
Available-for-sale investments revaluation surplus	10,151	1,003	10,151	1,003
Total reserves	190,003	178,772	190,003	178,772

Movements

Property, plant and equipment revaluation reserve

Land and buildings				
Balance 1 January	176,680	176,680	176,680	176,680
Asset revaluation decrement	(3,188)	-	(3,188)	-
Transfer (from) / to Retained earnings	5,271	-	5,271	-
Balance 31 December	178,763	176,680	178,763	176,680

Art collection				
Balance 1 January	1,089	1,089	1,089	1,089
Asset revaluation increment	-	-	-	-
Balance 31 December	1,089	1,089	1,089	1,089

Available-for-sale investments revaluation surplus

Balance 1 January	1,003	2,677	1,003	2,677
Available-for-sale financial assets valuation gains taken to equity	9,208	214	9,208	214
Available-for-sale financial assets transfer to profit or loss	(60)	(1,888)	(60)	(1,888)
Total Available-for-sale investments revaluation surplus	10,151	1,003	10,151	1,003

(b) Retained earnings

Retained earnings at 1 January	830,380	800,725	829,772	800,681
Operating result for the period	55,852	29,655	56,025	29,091
Transfers (from) / to Reserves	(5,271)	-	(5,271)	-
Retained earnings at 31 December	880,961	830,380	880,526	829,772



26. Reserves and retained earnings (continued)

(c) Nature and purpose of reserves

The University has three reserves. The land and buildings revaluation surplus records revaluations in land and buildings, the art collection revaluation surplus records revaluations in the art collection and the available-for-sale investments revaluation surplus records revaluations in investments.

27. Key management personnel disclosures

(a) Names of responsible persons

The following persons were responsible persons of the University during the 2015 year. Council members include University employees who may be ex-officio members or elected staff members.

2015 Council Members

Dr Ian Gould AM, Chancellor (term completed 1 January 2016)

Professor David Lloyd, Vice Chancellor and President

Dr Wendy Craik AM, Deputy Chancellor

Mr Terry Evans, Pro Chancellor (term completed 31 December 2015, re-appointed as Pro Chancellor until 31 December 2017, and re-appointed as Council member until 31 December 2017)

Professor Pat Buckley (term completed 31 December 2015, re-appointed to 31 December 2017)

Ms Pauline Carr (term completed 31 December 2015, re-appointed to 31 December 2019)

Mr Eric Granger (term completed 20 February 2015, re-appointed to 20 February 2019)

Mr Jim Hazel (term commenced 1 January 2015)

Hon John Hill (term commenced 21 July 2015)

Mr Jay Joseph (term completed 31 December 2015)

Ms Lia Lawrie (term completed 31 December 2015)

Ms Paula Nagel AM (term completed 10 December 2015, re-appointed to 31 December 2017)

Ms Corinne Namblard (resigned effective 18 June 2015)

Professor Leanna Read

Professor Rick Sarre (term completed 31 December 2014, re-appointed 1 January 2015 to 31 December 2016)

Ms Miriam Silva (term completed 20 February 2015, re-appointed to 20 February 2019)

Ms Carol Sutherland (term completed 31 December 2015)



27. Key management personnel disclosures (continued)

(b) Remuneration of Key management personnel

	Consolidated		University	
	2015	2014	2015	2014
	Number	Number	Number	Number
Remuneration of Council members				
Nil	4	4	4	4
\$1 to \$9,999	2	6	2	6
\$10,000 to \$19,999	6	3	6	3
\$20,000 to \$29,999	4	3	4	4
\$40,000 to \$49,999	-	1	-	-
\$60,000 to \$69,999	1	1	1	1
	17	18	17	18

Remuneration received and receivable by Council members for their services as Council members was \$231,690 (2014: \$221,820). The total remuneration received and receivable by Council members in their position as Council members and as Directors of subsidiary companies was \$231,690 (2014: \$249,820).

	Consolidated		University	
	2015	2014	2015	2014
	Number	Number	Number	Number
Remuneration of executive officers				
\$240,000 to \$249,999	1	-	1	-
\$290,000 to \$299,999	1	1	1	1
\$300,000 to \$309,999	1	-	1	-
\$310,000 to \$319,999	-	1	-	1
\$330,000 to \$339,999	1	1	1	1
\$340,000 to \$349,999	1	3	1	3
\$350,000 to \$359,999	2	-	2	-
\$390,000 to \$399,999*	-	1	-	1
\$400,000 to \$409,999	1	-	1	-
\$450,000 to \$459,999	-	1	-	1
\$490,000 to \$499,999	1	-	1	-
\$570,000 to \$579,999*	-	1	-	1
\$590,000 to \$599,999	1	-	1	-
\$810,000 to \$819,999	-	1	-	1
\$870,000 to \$879,999	1	-	1	-
	11	10	11	10

* includes leave paid on termination.

**27. Key management personnel disclosures (continued)****(b) Remuneration of Key management personnel (continued)**

Executives are defined as the Vice Chancellor and President and the University's Senior Management Group. The remuneration includes all normal salary, leave, allowances and other benefits paid during the reporting year. No executive received any remuneration from the University other than by way of salary and related benefits from a normal employment relationship.

(c) Executive Officers' compensation

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Short-term employee benefits	4,040	3,762	4,040	3,762
Post-employment benefits	556	401	556	401
Other long-term benefits	-	54	-	54
Total Executive Officer's compensation	4,596	4,217	4,596	4,217

(d) Related party transactions

From time to time University Council members have interests or positions in entities with which the University conducts business. In all cases, transactions with these entities are undertaken on a normal commercial basis.

28. Remuneration of auditors

During the year, the following fees were paid for services provided by the auditor of the University, its related practices and non-related audit firms:

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Audit and review of the Financial Statements				
Fees paid to Auditor-General's Department	278	281	278	281
Fees paid to BDO Australia Ltd	13	17	-	-
Total paid for audit and review	291	298	278	281

29. Contingencies

The University has no material contingent liabilities.



30. Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment:				
Within one year	72,026	28,617	72,026	28,617
Between one and five years	13,773	29,155	13,773	29,155
Later than five years	-	-	-	-
Total Property, plant and equipment commitments	85,799	57,772	85,799	57,772

(b) Lease commitments - Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

Commitments in relation to leases contracted for at the reporting date, but not recognised as liabilities (i.e. operating leases), are payable as follows:

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Within one year	2,414	2,557	2,414	2,557
Between one and five years	6,476	5,853	6,476	5,853
Later than five years	1,531	2,577	1,531	2,577
Total future minimum lease payments	10,421	10,987	10,421	10,987

Major operating leases include leases for office space, vehicles and computers. The terms of the office space lease agreements include renewal or purchase options ranging between one and ten years.

(c) Other expenditure commitments

Commitments for other expenditure in existence at the reporting date but not recognised as liabilities, are payable as follows:

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Within one year	12,577	11,067	12,577	11,067
Between one and five years	13,486	14,037	13,486	14,037
Later than five years	-	125	-	125
Total other expenditure commitments	26,063	25,229	26,063	25,229

Other expenditure commitments includes cleaning, contributions to Co-operative Research Centres (CRC) and material commitments arising from grants received from the NHMRC.



31. Superannuation plans

(a) Categories

The University contributes to a number of superannuation schemes, divided into the following categories:

- (i) Those operative and open to membership:
 - UniSuper Defined Benefit Plan or Accumulation Super 2
 - Accumulation Super 1
- (ii) State Government Schemes closed to future membership by University employees:
 - State Pension Scheme
 - State Lump Sum Scheme

(b) UniSuper Limited Superannuation Scheme

The employees' UniSuper plan is determined by the terms of employment and is managed by a corporate trustee, UniSuper Limited. The plan is administered by UniSuper Manager Pty Ltd, a wholly owned subsidiary company.

The employer contribution rate for 2015 for employees in either the Defined Benefit Division (DBD) or Accumulation Super 2 was 17% of salaries. For employees in Accumulation Super 1 the contribution rate was 9.50% for January 2015 to December 2015. During the 2014 year the contribution rate was 9.25% of salaries for January 2014 to June 2014 and 9.5% of salaries from July 2014 onwards.

The UniSuper DBD is a defined benefit plan under Superannuation Law but is considered to be a defined contribution plan under Accounting Standards AASB 119. As set out under paragraph 28 of AASB 119 a defined contribution plan is a plan where the employer's legal or constructive obligation is limited to the amount it agrees to contribute to the funds and the actuarial risk and investment risk fall on the employee.

Clause 34 (b) states that the "Trustee must consider whether it is in the interests of the Members of Division A and Division B as a whole to reduce the benefits payable under Division A and and Division B and, if it so considers that it should reduce benefits (which may include benefits in the course of payment), it must do so on a fair and equitable basis and at a time or times it decides".

Following the end of the monitoring period commenced in relation to the 31 December 2008 actuarial investigation, the UniSuper Limited Board made a decision not to reduce accrued benefits but to reduce the rate at which benefits accrue in respect of the DBD membership after 1 January 2015.

Following the end of the monitoring period commenced in relation to the 30 June 2011 actuarial investigation, the Fund's actuary advised that the Trustee is not required to take any further action under Clause 34 in relation to that monitoring period, and that monitoring period is now ceased.

As at 30 June 2015 the assets of the DBD aggregate (i.e. entire multi-employer DBD plan) were estimated to be:

- \$1,479 million in excess (2014: \$271 million in excess) of vested benefits. The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving the service of the participating institution) and include the value of indexed pensions being provided by the DBD.
- \$3,377 million in excess (2014: \$2,071 million in excess) of accrued benefits. The accrued benefits have been calculated as the present value of expected future benefit payments to members and indexed pensioners which arise from membership of UniSuper up to reporting date.

**31. Superannuation plans (continued)****(b) UniSuper Limited Superannuation Scheme (continued)**

The vested benefit and accrued benefit liabilities were determined by the Fund's actuary Russell Employee Benefits using the actuarial demographic assumptions outlined in their report on the actuarial investigation of the DBD as at 1 July 2015. The financial assumptions used were:

	Vested Benefits	Accrued Benefits
Gross of tax investment return - DBD pensions	6.10% p.a.	7.80% p.a.
Gross of tax investment return - commercial rate indexed pensions	3.70% p.a.	3.70% p.a.
Net of tax investment return - non pensioner members	5.50% p.a.	7.00% p.a.
Consumer Price Index	2.75% p.a.	2.75% p.a.
Inflationary salary increases long term	3.75% p.a.	3.75% p.a.

Assets have been included at their net market value, i.e. allowing for realisation costs.

As at 30 June 2015 there is no funding surplus or deficit which currently affects, or is expected to affect, the amount of future contributions payable by participating employers to the Defined Benefit Plan.

(c) Super SA Superannuation plan

A number of present and past employees of the University and its predecessor institutions are members of the South Australian Superannuation Scheme. This scheme is administered by Super SA on behalf of the South Australian Superannuation Board (the Board) which is responsible for managing this scheme. The board was established under section 5 of the Superannuation Act 1988. The funds are managed by the specialist investment manager, Superannuation Funds Management Corporation of South Australia (Funds SA).

Under this scheme, benefits are paid as a continuing pension or lump sum to members eligible to claim their entitlement. The Pension Scheme is a defined benefit scheme where member benefits are calculated as a percentage of final salary. Benefits are generally payable fortnightly and are indexed by Consumer Price Index (CPI). The Lump Sum Scheme is part accumulation and part defined benefit where member basic entitlements represent a refund of the member's contributions with investment returns plus a defined multiple of final salary.

Under current arrangements, Super SA pays eligible members their benefit and is reimbursed by the University for the shortfall in the employer's contribution. The Commonwealth Government fully funds the University on an emerging cost basis for the costs and recovers the State's share of the cost directly from the State Government under the Commonwealth State Agreement. The Agreement provides that the employer component of the superannuation benefits payable to former employees of the University who were members of one of the main State Schemes, be shared.

An actuarial assessment (the Assessment) of the University's superannuation liability with respect to future benefits for current pensioners and employees was performed by PricewaterhouseCoopers Securities Ltd as at 31 December 2015. The actuarial valuation was based on 30 June 2015 membership data which was projected to 31 December 2015 using the Project Unit Credit Method. The University's present value of the defined benefit obligations was assessed to be \$487.8 million (2014: \$508.6 million).

The University's liability under the scheme has been partly funded by assets of \$39.2 million (2014: \$36.9 million) from 3% productivity employer contributions. This results in an unfunded liability of \$448.6 million (2014: \$471.7 million).



31. Superannuation plans (continued)

(c) Super SA Superannuation plan (continued)

The weighted average duration of the defined benefit obligation is 13.66 years (2014: 14.11 years). The expected maturity analysis of undisclosed benefit obligations is as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Defined Benefit obligation - 31 Dec 2015	30,276	31,111	91,217	579,815	732,419
Defined Benefit obligation - 31 Dec 2014	30,102	30,190	91,879	612,103	764,274

The analysis of the plan assets and the expected rate of return at the balance sheet date is as follows:

	2015 (%)		2014 (%)	
	Active Market	No Active Market	Active Market	No Active Market
Equity instruments	49.6	0.0	51.3	0.0
Property	2.6	11.8	2.6	11.6
Diversified Strategies Growth	0.7	9.0	1.1	7.5
Diversified Strategies Income	13.8	0.0	14.0	0.0
Inflation Linked Securities	0.0	7.2	0.0	7.5
Debt instruments	2.0	0.0	2.1	0.0
Cash	3.3	0.0	2.3	0.0
Total	72.0	28.0	73.4	26.6



31. Superannuation plans (continued)

(d) Balance Sheet Amounts

	University	
	2015	2014
	\$'000	\$'000
Reconciliation of the present value of the defined benefit obligation		
Present value of defined benefit obligation at beginning of year	508,569	444,273
Current service cost	446	404
Interest cost	15,299	19,750
Actuarial (gains) / losses		
(a) Impact of changes in demographic assumptions	-	1,172
(b) Impact of changes in financial assumptions	(5,768)	74,221
(c) Experience items	(698)	(1,060)
Benefits and expenses paid	(30,085)	(30,191)
Present value of defined benefits obligations at end of year	487,763	508,569
Reconciliation of the fair value of the defined benefit plan assets		
Fair value of Scheme assets at start of year	36,881	34,340
Interest income	1,146	1,629
Actual return on assets less Interest income	1,079	849
Employer contributions	30,136	30,254
Benefits and expenses paid	(30,085)	(30,191)
Fair value of Scheme assets at end of year	39,157	36,881
Net Liability		
Defined Benefit Obligation	487,763	508,569
Less: Fair value of plan assets	(39,157)	(36,881)
Net Liability	448,606	471,688

The net unfunded amount of \$448.6 million (2014: \$471.7 million) has been recognised in the accounts of the University as a liability and a corresponding receivable from the Commonwealth Government. The asset and liability have been classified as current and non-current according to cash flow projections of the Assessment.

**31. Superannuation plans (continued)****(d) Balance Sheet Amounts (continued)**

The Commonwealth Government has agreed to provide assistance under Section 20 of the Higher Education Funding Act to meet the additional costs in respect of State Government emerging cost schemes, where costs are in excess of funding provided for this purpose in the base operating grant.

Assumptions adopted by PricewaterhouseCoopers Securities Ltd in determining the University's liability were:

- Long term rate of increase in the Consumer Price Index (CPI) 2.5% per annum (2014 2.5%)
- Long term rate of salary increases 4.0% per annum (2014 4.0%)
- Discount Rate 3.2% per annum (2014 3.1%)

These rates provide for a 1.5% real gap between long term CPI and salary increases.

The sensitivity of the defined benefit obligation to changes in the significant assumptions is:

Significant Assumption	Increase in assumption	Impact on Defined Benefit Obligation	Decrease in assumption	Impact on Defined Benefit Obligation
Discount rate	0.5%	Decrease by 5.1%	0.5%	Increase by 5.6%
Salary growth rate	0.5%	Increase by 0.1%	0.5%	Decrease by 0.1%
Pension increase rate	0.5%	Increase by 5.8%	0.5%	Decrease by 5.3%

**32. Subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of Entity	Principal place of business	Ownership interest	
		2015	2014
		%	%
(a) University of South Australia Foundation Incorporated	Australia	100	100
(b) UniSA Ventures Pty Ltd (previously ITEK Ventures Pty Ltd)	Australia	100	100
(c) UniSA Health Pty Ltd	Australia	100	100

(a) University of South Australia Foundation Incorporated (Foundation)

The Foundation is a dormant entity with no assets, liabilities or equity as at 31 December 2015. This company will remain legally intact indefinitely to ensure that any future bequests, which have named the Foundation as the beneficiary, will ultimately flow to the University as intended.

(b) UniSA Ventures Pty Ltd (previously ITEK Ventures Pty Ltd)

ITEK Ventures Pty Ltd changed its name to UniSA Ventures Pty Ltd on 25 November 2015.

UniSA Ventures Pty Ltd was incorporated on 15 November 2011 and is wholly owned by the University. The University was allotted four million Ordinary Shares, issued at \$1.00 per share. A further share allotment of one hundred thousand Ordinary Shares, issued at \$1.00 per share occurred in May 2015.

UniSA Ventures Pty Ltd provides the University with business incubation and technology commercialisation services. Its role is to support the commercialisation of University research through the formation of spin-off companies, licensing and the sale of intellectual property to generate returns for the University, and also for the staff and students involved in the creation of intellectual property.

(c) UniSA Health Pty Ltd

UniSA Health Pty Ltd was incorporated on 13 September 2011 and is wholly owned by the University. The University was allotted ten Ordinary Shares, issued at \$1.00 per share.

The core business of UniSA Health Pty Ltd is contribute to quality teaching through the provision of placements to undergraduate and postgraduate students through a private clinic and to provide high quality patient care and health prevention/promotion to UniSA staff and students.

33. Investments in associates**SABRENet Ltd (SABRENet)**

SABRENet is incorporated in Australia and was registered on 28 September 2005 as a nonprofit company limited by guarantee. The founding members are the three South Australian universities and the South Australian Government. The Defence Science and Technology Organisation (DSTO) is a contractual partner.

The company was established to further the use of advanced data networking for research and education in South Australia, in addition to enhancing economic and social advancement across the nation.

While the University has significant influence over SABRENet, its interest in SABRENet is limited to the use of SABRENet's asset (the network). That is, the University receives no return for its interest in SABRENet. To date, the University has provided \$0.250 million to SABRENet which was recognised as an expense in the year payment was made. Consequently, the University's interest in SABRENet has not been recognised in the accounts on an equity basis.



34. Interests in joint arrangements

(a) Joint operations

The University's interests in joint operations are as follows:

Entity	Reporting date	Ownership interest	
		2015	2014
		%	%
(i) Centre for Cancer Biology	31 Dec	50.00 %	50.00 %
(ii) Mawson Centre Building	31 Dec	63.00 %	63.00 %

(i) Centre for Cancer Biology

The Centre for Cancer Biology (CCB) carries out an innovative research program focusing on the fundamental causes of cancer and translating these discoveries into new ways to prevent and treat the disease.

In December 2014 the University and Central Adelaide Local Health Network (CALHN) entered into an alliance agreement to establish the CCB to further accommodate and support the growth of the Centre.

(ii) Mawson Centre Building

The University, the City of Salisbury, the Land Management Corporation, Delfin Lend Lease and the Department for Education and Child Development (DECD) entered into an agreement in 2003 to design, develop, construct and operate the Mawson Centre at Mawson Lakes. This multi-purpose community centre assists in meeting the cultural, entertainment, recreational and educational needs of the Mawson Lakes residents, employees and adjacent community. The University has a 63% share of the joint venture and management responsibility for the centre, with the City of Salisbury holding a 19% share and DECD holding an 18% share.

In 2013 the building was independently re-valued and the University's 63% share of the asset's carrying amount as at 31 December 2015 is \$6.353 million (2014: \$6.515 million) which is included in Buildings.

**34. Interests in joint arrangements (continued)****(b) Joint venture**

The University has an interest in a number of joint ventures as described below. The University's interests in these joint ventures are not considered to be material to the University's core activities. Consequently, they have not been taken up in the accounts on an equity basis as per the Australian Accounting Standard AASB 128 Investments in Associates and Joint Ventures.

Entity	Reporting date	Ownership interest	
		2015	2014
		%	%
(i) eResearch SA	31 Dec	33.00 %	33.00 %
(ii) South Australian Tertiary Admissions Centre	31 Dec	25.00 %	25.00 %

(i) eResearch SA (formerly South Australian Partnership for Advanced Computing (SAPAC))

eResearch SA is a collaborative joint venture of the three South Australian universities. Its mission is to support the development, implementation and use of eResearch methodologies and activities in South Australia, and to provide access to eResearch facilities and practical support for researchers from all disciplines. The University's 33% share of this joint venture has not been included in the consolidated report as this is immaterial to the University's activities.

(ii) South Australian Tertiary Admissions Centre (SATAC)

SATAC is a joint operation between the three South Australian public universities and the Minister of Higher Education and Skills. SATAC receives and processes undergraduate and postgraduate applications for admission to the TAFE SA, Charles Darwin University and the three public universities in South Australia. The University's 25% share of this joint operation has not been included in the consolidated report as this is immaterial to the University's activities.

35. Events occurring after the balance sheet date

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction, event of a material and unusual nature likely to affect significantly the operation of the University or the Consolidated Entity, the results of operations, or the state of affairs of the University or the Consolidated Entity in future periods.

**36. Reconciliation of operating results after income tax to net cash flows from operating activities**

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Operating result for the period	55,852	29,655	56,025	29,091
Add/(less) non-cash items:				
Depreciation and amortisation	32,410	32,146	32,404	32,132
Non-cash donations	(73)	(91)	(73)	(91)
Capital assets accrual	(2,099)	(2,805)	(2,099)	(2,805)
Library collection revaluation	-	309	-	309
Other	2,860	336	2,933	336
Net (gain)/loss on sale of property, plant and equipment	(10,831)	842	(10,831)	842
Net (gain)/loss on sale of available-for-sale financial assets	(481)	(2,076)	(481)	(1,862)
Fair value (gains)/losses on other financial assets at fair value through profit or loss	411	-	411	-
Property, plant and equipment in progress adjustments	446	2,834	442	2,834
Changes in operating assets and liabilities:				
(Increase)/decrease in receivables	3,764	(5,891)	3,660	(5,824)
(Increase)/decrease in other assets	(3,628)	(1,906)	(3,622)	(1,861)
Increase/(decrease) in payables	(477)	5,568	(427)	5,483
Increase/(decrease) in provisions	2,854	(3,407)	2,843	(3,291)
Increase/(decrease) in other liabilities	(16,382)	(7,298)	(15,894)	(7,459)
Net cash provided by / (used in) operating activities	64,626	48,216	65,291	47,834

37. Non-cash investing and financing activities

	Consolidated		University	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Donations of works of art and library materials	73	91	73	91
	73	91	73	91



38. Financial risk management

The University's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The University's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The University uses different methods to measure different types of risk to which it is exposed. These methods include informal sensitivity analyses and seeking professional advice to manage the market risk of its investments.

Risk management is co-ordinated by the University under policies approved by Council. The University identifies and evaluates financial risks in close co-operation with the University's operating units.

(a) Market risk

(i) Foreign exchange risk

The University assesses the likely foreign exchange risk for offshore activities and enters into hedging arrangements if appropriate.

As at 31 December 2015 the University held MYR\$0.136 million (AUD\$0.043 million) (2014: MYR\$0.216 million (AUD\$0.075 million)) in an offshore bank account.

As at 31 December 2015 the University held USD\$5.314 million (AUD\$7.273 million) (2014: USD\$5.511 million (AUD\$6.719 million)) in an offshore bank account.

The University assesses the likely foreign exchange risk for probable forecasted transactions in foreign currencies for onshore activities and enters into hedging arrangements to mitigate foreign exchange risk if appropriate. During 2015 the University entered into five hedging contracts totalling USD \$0.85 million (AUD\$1.11 million) to mitigate foreign exchange risk for probable forecasted transactions in foreign currencies therefore classified as a fair value hedge. As at 31 December 2015 the fair value of the remaining contracts is recorded as a net payable of AUD\$0.029 million. (2014: No payable/receivables balances).

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Consolidated Entity intends to hold fixed rate assets and liabilities to maturity.

(iii) Risk associated with available-for-sale assets

Investments comprise investments in listed and unlisted entities. The University has a prudent investment strategy. It is acknowledged there may be short-term fluctuations in asset values from time to time; however historical trends for such a strategy indicate that, with reasonable probability, unrealised losses will be recovered in the medium to long-term.

The nature of the University's activities are generally low risk. Investments tend to be largely held in term deposits with banking institutions and debtors are spread across a large number of customers. Due to the nature and value of the financial instruments held by the University, sensitivity analysis has not been provided.

**38. Financial risk management (continued)****(b) Credit risk**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets excluding investments of the University which have been recognised in the statement of financial position is the carrying amount net of any provisions for impaired receivables.

The University is not materially exposed to any specific overseas country or individual customer.

(c) Liquidity risk

The following tables summarise the maturity of the Group's financial assets and financial liabilities:

	Average Interest rate	Less than 1 Year	1 to 5 years	5+ years	Non interest bearing	Total
2015	%	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Cash and cash equivalents	3.13 %	343,029	-	-	-	343,029
Receivables		-	-	-	19,532	19,532
Other financial assets		-	-	-	24,580	24,580
Total financial assets		343,029	-	-	44,112	387,141
Financial liabilities						
Payables		-	-	-	24,234	24,234
Total financial liabilities		-	-	-	24,234	24,234

	Average Interest rate	Less than 1 Year	1 to 5 years	5+ years	Non interest bearing	Total
2014	%	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Cash and cash equivalents	3.65 %	316,932	-	-	-	316,932
Receivables		-	-	-	23,335	23,335
Other financial assets		-	-	-	8,170	8,170
Total financial assets		316,932	-	-	31,505	348,437
Financial liabilities						
Payables		-	-	-	25,259	25,259
Total financial liabilities		-	-	-	25,259	25,259



39. Fair Value Measurement

(a) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Due to the short-term nature of the current receivable their carrying value approximates their fair value and based on credit history it is expected that the receivables that are neither past due nor impaired will be received when due.

The carrying amounts and aggregate fair values of the Group's financial assets and liabilities at balance date are:

	Carrying Amount		Fair Value	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Financial assets				
Cash and cash equivalents	343,029	316,932	343,029	316,932
Receivables	19,532	23,335	19,532	23,335
Other financial assets	24,580	8,170	24,580	8,170
Total financial assets	387,141	348,437	387,141	348,437
Financial Liabilities				
Payables	24,234	25,259	24,234	25,259
Total financial liabilities	24,234	25,259	24,234	25,259

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets at fair value through profit or loss
- Available-for-sale financial assets
- Land and buildings
- Library collection
- Art collection

(b) Fair value hierarchy

The University categorises assets and liabilities measured at fair value into a hierarchy based on the level of inputs used in measurements.

Level 1	Quoted prices (unadjusted) 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 or indirectly.
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs)



39. Fair Value Measurement (continued)

(b) Fair value hierarchy (continued)

(i) Recognised fair value measurements

Fair value measurements recognised in the statement of financial position are categorised into the following levels at 31 December 2015.

Fair value measurements

	Note	2015 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements at 31 December 2015					
Financial assets					
Available-for-sale financial assets	18				
Equity securities		24,580	12,448	9,198	2,934
Total financial assets		24,580	12,448	9,198	2,934
Non-financial assets					
Land and buildings	20				
Land		131,846	-	131,846	-
Buildings		588,672	-	-	588,672
Other non-financial assets	20				
Library collection		13,034	-	-	13,034
Art collection		3,312	-	-	3,312
Total non-financial assets		736,864	-	131,846	605,018

	Note	2014 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements at 31 December 2014					
Financial assets					
Available-for-sale financial assets	18				
Equity securities		8,170	5,585	-	2,585
Total financial assets		8,170	5,585	-	2,585
Non-financial assets					
Land and buildings	20				
Land		137,306	-	137,306	-
Buildings		594,251	-	-	594,251
Other non-financial assets	20				
Library collection		13,766	-	-	13,766
Art collection		3,299	-	-	3,299
Total non-financial assets		748,622	-	137,306	611,316



39. Fair Value Measurement (continued)

(b) Fair value hierarchy (continued)

There were no transfers between Levels 1 and 2 for recurring fair value measurements during the year. There were also no transfers in and out of Level 3 measurements.

The University's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(ii) Disclosed fair values

The fair value of assets or liabilities traded in active markets (such as trading and available-for-sale securities disclosed in Note 18.) is based on quoted market prices for identical assets or liabilities at the reporting date (Level 1). This is the most representative of fair value in the circumstances.

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables.

(c) Valuation techniques used to derive Level 2 and Level 3 fair values

(i) Recurring fair value measurements

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If there are significant inputs to a valuation which are not obtained from observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities.

The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

**39. Fair Value Measurement (continued)****(d) Fair value measurements using significant unobservable inputs (Level 3)**

The following table is a reconciliation of Level 3 items for the periods ended 31 December 2015 and 2014.

Level 3 Fair Value Measurement 2015	Unlisted equity securities \$'000	Buildings \$'000	Library Collection \$'000	Art Collection \$'000	Total \$'000
Opening balance	2,585	594,251	13,766	3,299	613,901
Acquisitions	606	31,137	1,965	13	33,721
Disposals	(205)	(13,693)	(505)	-	(14,403)
Recognised in profit or loss	-	(20,545)	(2,192)	-	(22,737)
Recognised in other comprehensive income	(52)	(2,478)	-	-	(2,530)
Closing balance	2,934	588,672	13,034	3,312	607,952

Level 3 Fair Value Measurement 2014	Unlisted equity securities \$'000	Buildings \$'000	Library Collection \$'000	Art Collection \$'000	Total \$'000
Opening balance	1,851	530,378	13,737	3,279	549,245
Acquisitions	475	83,785	2,370	20	86,650
Disposals	-	-	(9)	-	(9)
Recognised in profit or loss	-	(19,912)	(2,332)	-	(22,244)
Recognised in other comprehensive income	259	-	-	-	259
Closing balance	2,585	594,251	13,766	3,299	613,901

(i) Transfers between Level 2 and Level 3 and changes in valuation techniques

Other than described above, there were no material changes in valuation techniques during the year.

**39. Fair Value Measurement (continued)****(d) Fair value measurements using significant unobservable inputs (Level 3) (continued)****(ii) Valuation inputs and relationships to fair value**

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements. See (c) above for the valuation techniques adopted.

Description	Fair value at 31 December 2015 \$'000	Unobservable inputs	Range of inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Unlisted equity securities	2,934	Market comparison based on internal assessment of net asset values and potential growth.	Net asset position and future earnings	Increase in net assets and increase in future earnings would result in higher fair values; decrease in net assets and decrease in future earnings would result in lower fair values.

(iii) Valuation processes

The Group performs the valuations of non-property items required for financial reporting purposes, including Level 3 fair values.

The Group engages external, independent and qualified valuers to determine the fair value of the Group's land and buildings at least every three years. As at 31 December 2013, the fair values of land and buildings have been determined by Opteon Pty Ltd.

The valuation technique for buildings adopted by Opteon Pty Ltd was to assess the written down current cost for the buildings. New replacement costs on the basis of a modern equivalent were assessed and then generally depreciated using the straight line method, having regard to the estimated useful and remaining life for each structure.

The library collection was internally revalued on 31 December 2014 to fair value based upon the written down cost of the most recent price inputs. The University has determined that subsequent acquisitions are measured at historical cost which approximates fair value with the University no longer revaluing the library collection.

The Art collection is revalued at least every three years using an internal valuation carried out by the Director: Samstag Museum of Art giving consideration to current sales and auctions of works by the same artist and/or similar genre.

Acquittal of Australian Government financial assistance

(a) Commonwealth Grants Scheme and other Grants

	Commonwealth Grants Scheme		Indigenous Support Program		Partnership & Participation Program		Disability Support Program		Capital Development Pool	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period	175,578	168,415	1,064	1,113	6,335	5,608	107	84	-	-
Net accrual adjustments	(368)	(241)	-	-	851	316	-	-	-	-
Revenue for the period	175,210	168,174	1,064	1,113	7,186	5,924	107	84	-	-
Movement in deferred income	-	-	-	-	(851)	(316)	-	-	-	-
Surplus/(deficit) from the previous year	-	-	-	-	1,209	1,642	17	346	4,900	4,900
Total revenue including accrued revenue	175,210	168,174	1,064	1,113	7,544	7,250	124	430	4,900	4,900
Less expenses including accrued expenses	(175,210)	(168,174)	(1,064)	(1,113)	(7,186)	(6,041)	(107)	(413)	(4,900)	-
Surplus/(deficit) for the reporting period	-	-	-	-	358	1,209	17	17	-	4,900

	Diversity and Structural Adjustment Fund		Promo of Exc in Learning and Teaching		Australian Maths & Science Partnership Program		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
-	-	-	232	312	261	261	183,577	175,793
1(a)	1,814	1,296	185	35	(8)	(261)	2,474	1,145
3(a)	1,814	1,296	417	347	253	-	186,051	176,938
	(1,814)	(1,296)	(185)	(35)	8	261	(2,842)	(1,386)
	2,182	3,478	421	480	261	-	8,990	10,846
	2,182	3,478	653	792	522	261	192,199	186,398
	(1,814)	(1,296)	(413)	(371)	(250)	-	(190,944)	(177,408)
	368	2,182	240	421	272	261	1,255	8,990

Financial assistance received in cash during the reporting period	
Net accrual adjustments	
Revenue for the period	
Movement in deferred income	
Surplus/(deficit) from the previous year	
Total revenue including accrued revenue	
Less expenses including accrued expenses	
Surplus/(deficit) for the reporting period	

40. Acquittal of Australian Government financial assistance (continued)

(b) Higher Education Loan Programs (excl OS-HELP)

	HECS-HELP (Australian Government payments only)		FEE-HELP		SA-HELP		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Note								
Cash Payable/(Receivable) at the beginning of the year	(146)	1,036	608	1,098	18	14	480	2,148
Financial assistance received in cash during the reporting period								
	114,727	108,442	8,425	7,117	2,969	2,737	126,121	118,296
Cash available for the period	114,581	109,478	9,033	8,215	2,987	2,751	126,601	120,444
Revenue earned	115,199	109,624	8,708	7,607	2,882	2,733	126,789	119,964
Cash Payable/(Receivable) at the end of the year	(618)	(146)	325	608	105	18	(188)	480

3(b)



40. Acquittal of Australian Government financial assistance (continued)

(c) Scholarships

	Note	Australian Postgraduate Awards		International Postgraduate Research Scholarships		Commonwealth Education Cost Scholarships		Commonwealth Accommodation Scholarships		Indigenous Access Scholarships		Indigenous Staff Scholarships		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period		5,932	5,771	472	470	30	8	-	60	15	42	-	-	6,449	6,351
Net accrual adjustments		-	-	-	-	15	(15)	25	(25)	14	(14)	-	-	54	(54)
Revenue for the period	3(c)	5,932	5,771	472	470	45	(7)	25	35	29	28	-	-	6,503	6,297
Movement in deferred income		-	-	-	-	(15)	15	(25)	25	(14)	14	-	-	(54)	54
Surplus/(deficit) from the previous year		1,598	1,342	-	-	140	136	19	26	14	28	12	12	1,783	1,544
Total revenue including accrued revenue		7,530	7,113	472	470	170	144	19	86	29	70	12	12	8,232	7,895
Less expenses including accrued expenses		(5,505)	(5,515)	(472)	(470)	(51)	(4)	(19)	(67)	(29)	(56)	-	-	(6,076)	(6,112)
Surplus/(deficit) for the reporting period		2,025	1,598	-	-	119	140	-	19	-	14	12	12	2,156	1,783



40. Acquittal of Australian Government financial assistance (continued)

(d) EDUCATION Research

	Joint Research Engagement		JRE Engineering Cadetships		Research Training Scheme		Research Infrastructure Block Grants		Sustainable Research Excellence in Universities		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Note	7,855	7,491	121	90	13,374	13,294	2,919	2,869	2,214	2,023	26,483	25,767
Financial assistance received in cash during the reporting period	-	-	-	-	-	-	-	-	-	-	-	-
Net accrual adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Revenue for the period	7,855	7,491	121	90	13,374	13,294	2,919	2,869	2,214	2,023	26,483	25,767
Surplus/(deficit) from the previous year	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue including accrued revenue	7,855	7,491	121	90	13,374	13,294	2,919	2,869	2,214	2,023	26,483	25,767
Less expenses including accrued expenses	(7,855)	(7,491)	(121)	(90)	(13,374)	(13,294)	(2,919)	(2,869)	(2,214)	(2,023)	(26,483)	(25,767)
Surplus/(deficit) for the reporting period	-	-	-	-	-	-	-	-	-	-	-	-



40. Acquittal of Australian Government financial assistance (continued)

(e) Other Capital Funding

	Education Investment Fund				Total	
	2015	2014	2015	2014	2015	2014
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period	10,000	4,920	10,000	4,920	10,000	4,920
Net accrual adjustments	(5,250)	5,250	(5,250)	5,250	(5,250)	5,250
Revenue for the period	4,750	10,170	4,750	10,170	4,750	10,170
Surplus/(deficit) from the previous year	7,370	2,626	7,370	2,626	7,370	2,626
Total revenue including accrued revenue	12,120	12,796	12,120	12,796	12,120	12,796
Less expenses including accrued expenses	(12,120)	(5,426)	(12,120)	(5,426)	(12,120)	(5,426)
Surplus/(deficit) for the reporting period	-	7,370	-	7,370	-	7,370



40. Acquittal of Australian Government financial assistance (continued)

(f) Australian Research Council Grants

(i) Discovery	Projects	Fellowships			Indigenous Researchers Development			Total	
		2015	2014	2015	2014	2015	2014	2015	2014
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period		1,055	2,612	1,981	2,684	236	237	3,272	5,533
Net accrual adjustments		556	18	(279)	(202)	122	(85)	399	(269)
	3(f)(i)	1,611	2,630	1,702	2,482	358	152	3,671	5,264
Revenue for the period		(543)	(248)	92	202	(122)	58	(573)	12
Movement in deferred income		2,062	2,310	1,248	1,046	210	152	3,520	3,508
Total revenue including accrued revenue		3,130	4,692	3,042	3,730	446	362	6,618	8,784
Less expenses including accrued expenses		(1,611)	(2,630)	(1,702)	(2,482)	(358)	(152)	(3,671)	(5,264)
Surplus/(deficit) for the reporting period		1,519	2,062	1,340	1,248	88	210	2,947	3,520



40. Acquittal of Australian Government financial assistance (continued)

(f) Australian Research Council Grants (continued)

	Note	Infrastructure		Projects		Industrial Transformational Research Program		Total	
		2015	2014	2015	2014	2015	2014	2015	2014
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(ii) Linkages									
Financial assistance received in cash during the reporting period		290	1,075	2,318	2,369	-	-	2,608	3,444
Net accrual adjustments		(108)	169	(375)	(180)	179	11	(304)	-
	3(f)(ii)	182	1,244	1,943	2,189	179	11	2,304	3,444
Revenue for the period		218	(36)	294	8	82	230	594	202
Movement in deferred income		-	36	2,923	2,915	230	-	3,153	2,951
Total revenue including accrued revenue		400	1,244	5,160	5,112	491	241	6,051	6,597
Less expenses including accrued expenses		(182)	(1,244)	(1,943)	(2,189)	(179)	(11)	(2,304)	(3,444)
Surplus/(deficit) for the reporting period		218	-	3,217	2,923	312	230	3,747	3,153



40. Acquittal of Australian Government financial assistance (continued)

(f) Australian Research Council Grants (continued)

	Note	Centres		Total Networks and Centres		Special Research Initiatives		Total	
		2015	2014	2015	2014	2015	2014	2015	2014
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(iii) Networks and Centres									
Financial assistance received in cash during the reporting period		-	-	-	-	-	-	-	-
Net accrual adjustments		417	197	417	197	-	13	417	210
Revenue for the period	3(f)(iii)	417	197	417	197	-	13	417	210
Movement in deferred income		(127)	262	(127)	262	-	-	(127)	262
Surplus/(deficit) from the previous year		262	-	262	-	-	-	262	-
Total revenue including accrued revenue		552	459	552	459	-	13	552	472
Less expenses including accrued expenses		(417)	(197)	(417)	(197)	-	(13)	(417)	(210)
Surplus/(deficit) for the reporting period		135	262	135	262	-	-	135	262



40. Acquittal of Australian Government financial assistance (continued)

(g) Student Services and Amenities Fee

	Note	2015 \$'000	2014 \$'000
Unspent/(overspent) revenue from previous period		178	50
SA-HELP revenue earned		2,882	2,733
Student services fees direct from students	3(b)		
Total revenue expendable in period	5	1,885	1,532
Student services expenses during period		4,945	4,315
Unspent/(overspent) student services revenue		(4,669)	(4,137)
		276	178

(h) OS-HELP

	Note	2015 \$'000	2014 \$'000
Cash Received during the reporting period		692	2,500
Cash Spent during the reporting period		(1,407)	(1,252)
Net Cash received		(715)	1,248
Cash Surplus/(deficit) from the previous period		1,298	50
Cash surplus for the reporting period	22	583	1,298



40. Acquitment of Australian Government financial assistance (continued)

(i) Superannuation Supplementation

	Note	2015	2014
		\$'000	\$'000
Cash Received during the reporting period	3(h)	29,303	28,827
Cash available		29,303	28,827
Cash surplus / (deficit) from the previous period		(147)	657
Cash available for current period		29,156	29,484
Contributions to specified defined benefit funds		(27,976)	(29,631)
Cash surplus for this period		1,180	(147)



41. Acronyms and definitions

The following acronyms and terminology are used throughout the Financial Statements:

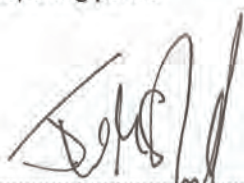
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ARC	Australian Research Council
ATO	Australian Taxation Office
AUD	Australian Dollar
CPI	Consumer Price Index
CRC	Co-operative Research Centre
DBD	UniSuper Defined Benefit Division
DECD	South Australian Government Department of Education and Child Development
EDUCATION	Australian Government Department of Education and Training
GST	Goods and Services Tax
HECS	Higher Education Contribution Scheme
MYR	Malaysian Ringgit
NAB	National Australia Bank
NHMRC	National Health and Medical Research Council
Safety margin	Operating result as a percentage of total income
USD	United States Dollar



CERTIFICATE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

To the best of our knowledge and belief:

- the financial statements:
 - are in accordance with the accounts and records of the University and give an accurate indication of the financial transactions of the University for the year then ended;
 - comply with the relevant Treasurer's Instructions promulgated under the provisions of the South Australian Public Finance and Audit Act 1987;
 - comply with relevant Accounting Standards and other mandatory professional reporting requirements in Australia, except to the extent noted in Note 1 Summary of Significant Accounting Policies and the Independent Audit Report; and
 - present a true and fair view of the financial position of the University as at 31 December 2015 and the result of its operations and its cash flows for the year then ended.
- the amount of Australian Government financial assistance expended during the reporting period was for the purpose(s) for which it was intended and the University has complied with applicable legislation, contracts, agreements and program guidelines in making expenditure.
- the University charged Student Services and Amenities Fees strictly in accordance with the Higher Education Support Act 2003 and the Administration Guidelines made under the Act. Revenue from the fee was spent strictly in accordance with the Act and only on services and amenities specified in subsection 19-38(4) of the Act.
- internal controls over financial reporting and preparation of the financial statements have been effective throughout the reporting period.



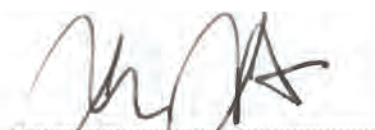
Jim McDowell
Chancellor

20 April 2016



Professor David G. Lloyd
Vice Chancellor and President

20 April 2016



Mr Peter Prest
Chief Financial Officer

20 April 2016



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**To the Chancellor
University of South Australia**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 19 of the *University of South Australia Act 1990*, I have audited the accompanying financial report of the University of South Australia (the University) and the consolidated entity comprising the University and its controlled entities for the financial year ended 31 December 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 31 December 2015
- a Statement of Financial Position as at 31 December 2015
- a Statement of Changes in Equity for the year ended 31 December 2015
- a Statement of Cash Flows for the year ended 31 December 2015
- notes, comprising a summary of significant accounting policies and other explanatory information.

The consolidated financial report comprises the University and the entities it controlled at the year's end or from time to time during the financial year.

The Council's Responsibility for the Financial Report

The members of the Council 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*, the *Higher Education Support Act 2003* and Australian Accounting Standards, and for such internal control as the members of the Council determines is necessary to enable the preparation of a 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 Council, as well as 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 qualified audit opinion.

Basis for Qualified Opinion

The University has recognised \$25.9 million of unspent funding as a liability for the year ended 31 December 2015. These amounts have been accounted for as income received in advance and included in 'Other Liabilities - Commonwealth and State Government Grants', 'Other Liabilities - Income in advance on incomplete projects' and 'Other Liabilities - Other current liability' in note 25 to the financial report. The University has disclosed its accounting treatment of these funds in note 1(d) to the financial report.

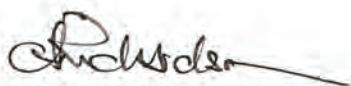
The funds represent contributions and meet the recognition criteria of income in accordance with Accounting Standard AASB 1004 Contributions and Accounting Policy Framework V Income Framework. The University controls these funds upon receipt and it is highly probable that any unspent funds will be spent in accordance with stipulated conditions. It is highly unlikely that unspent funds will need to be repaid to the granting bodies and as such funds should be recognised as income at the time of receipt.

As a result, the following has been misstated in the 2015 financial report:

- the revenue recognised as Australian Government grants is overstated by \$6.8 million (\$1.7 million understated in 2014)
- the revenue recognised as State and Local Government financial assistance is overstated by \$72 000 (\$800 000 overstated in 2014)
- the revenue recognised as Consultancy and contract research is overstated by \$2 million (\$1.6 million overstated in 2014).
- Operating result attributable to members of University of South Australia is overstated by \$8.9 million (\$700 000 overstated in 2014).
- Other liabilities is overstated by \$25.9 million (\$34.8 million overstated in 2014).
- Closing retained earnings is understated by \$25.9 million (\$34.8 million understated in 2014).

Qualified Opinion

In my opinion, except for the effects of the matter described in the 'Basis for Qualified Opinion' paragraphs, the financial report gives a true and fair view of the financial position of the University of South Australia and its controlled entities (the consolidated entity) as at 31 December 2015, their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, the *Higher Education Support Act 2003* and Australian Accounting Standards.



Andrew Richardson

Auditor-General

27 April 2016

Urban Renewal Authority

Financial report
for the year ended
30 June 2016

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
Income			
Revenue from sales	3	57 611	48 281
Less: cost of sales	3	28 869	33 726
Gross profit from sales		28 742	14 555
Share of net profit/(loss) in joint ventures	4	3 198	2 906
Revenues from Commonwealth and SA Government	5	9 403	11 105
Interest revenues	6	935	969
Property income	7	25 912	26 193
Other revenues	8	17 964	10 893
Total Other Income		57 412	52 066
Net gain from administrative restructures	37	637	-
Total Income		86 791	66 621
Expenses			
Employee benefits expenses	10	31 571	25 322
Operating expenditure	13	48 645	51 018
Borrowing costs	14	16 413	14 938
Depreciation and amortisation	21	491	501
Net loss from changes in value of non-current assets	4,19,20	142 790	96 722
Net loss from disposal of non-current assets	9	33	950
Total Expenses		239 943	189 451
Profit/Loss Before Income Tax Equivalent		(153 152)	(122 830)
Income Tax Equivalent		-	-
Profit/Loss After Income Tax Equivalent		(153 152)	(122 830)
Total Comprehensive Result		(153 152)	(122 830)

The Profit/Loss After Income Tax Equivalent and Total Comprehensive Result are attributable to the 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 No.	2016 \$'000	2015 \$'000
Current Assets			
Cash and cash equivalents	35	117 307	16 532
Receivables	18	14 487	17 584
Inventories	19	72 264	86 432
Work in progress	22	94	1 084
Investment in joint ventures	4	3 410	6 116
Total Current Assets		207 562	127 748
Non-Current Assets			
Receivables	18	6 607	6 018
Inventories	19	233 961	333 963
Investment properties	20	146 580	135 003
Property, plant and equipment	21	2 416	2 916
Investment in joint ventures	4	349	469
Total Non-Current Assets		389 913	478 369
Total Assets		597 475	606 117
Current Liabilities			
Payables	24	15 517	15 661
Unearned income	27	3 121	5 925
Borrowings	25	115 894	190 760
Provisions	28	20 657	49
Employee benefits	29	4 426	3 671
Other liabilities	30	480	293
Total Current Liabilities		160 095	216 359
Non-Current Liabilities			
Payables	24	554	548
Unearned income	27	5 877	7 236
Borrowings	25	402 750	328 394
Provisions	28	251	153
Employee benefits	29	5 999	6 127
Total Non-Current Liabilities		415 431	342 458
Total Liabilities		575 526	558 817
Net Assets		21 949	47 300
Equity			
Contributed Capital		242 939	107 939
Retained Earnings		(220 990)	(60 639)
Total Equity		21 949	47 300
The total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments - operating leases	31		
Unrecognised contractual commitments - capital expenditure	32		
Contingent liabilities	33		

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

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2016

	Note Ref	Contributed Capital '\$000	Retained Earnings '\$000	Total '\$000
Balance at 30 June 2014		107 939	62 191	170 130
Profit after income tax equivalent for 2014-15		-	(122 830)	(122 830)
Total comprehensive result for 2014-15		-	(122 830)	(122 830)
Balance as at 30 June 2015		107 939	(60 639)	47 300
Profit after income tax equivalent for 2015-16		-	(153 152)	(153 152)
Total comprehensive result for 2015-16		-	(153 152)	(153 152)
Transactions with the SA Government in their capacity as owners:				
Equity Contribution*		135 000	-	
Dividends paid	17	-	(7 199)	(7 199)
Balance as at 30 June 2016		242 939	(220 990)	21 949

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

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

*Renewal SA received an equity contribution from the SA Government totalling \$135 million during 2015-16 which will in part be used to fund the acquisition of a portfolio of Department for State Development assets during 2016-17. This acquisition is also mentioned in Note 39 – Events after the Reporting Period.

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
Cash flows from Operating Activities			
Cash Inflows			
Receipts from sales		63 244	57 405
Receipts from SA Government		30 614	20 827
Interest received		382	446
Receipts from mortgage debtors (principal and interest)		538	22 423
Receipts from tenants (rent and recoveries)		20 872	25 690
Recoveries and sundry receipts		26 849	6 274
Funds held in trust		5	7
Receipts for paid parental leave scheme		83	8
GST recovered from the ATO		535	3 590
Cash generated from operations		143 122	136 670
Cash Outflows			
Payments for land purchase and development		(48 070)	(81 697)
Land tax paid		(20 648)	(22 522)
Interest paid		(22 834)	(24 001)
Payments to suppliers		(34 662)	(41 811)
Payments for employee benefits payments		(33 912)	(23 027)
Payments for paid parental leave scheme		(75)	(5)
Cash used in operations		(160 201)	(193 063)
Net Cash provided by/(used in) Operating Activities	34	(17 079)	(56 393)
Cash flows from Investing Activities			
Cash Inflows			
Distributions of profit by joint ventures		6 024	-
Capital repayments by joint ventures		-	2 200
Proceeds from the sale of investment properties		-	9 000
Cash generated from investing activities		6 024	11 200
Cash Outflows			
Purchase of property, plant and equipment and investment property		(35)	(155)
Payments for Work in Progress		(15 418)	(1 084)
Cash used in investing activities		(15 453)	(1 239)
Net Cash provided by/(used in) Investing Activities		(9 429)	9 961
Cash flows from Financing Activities			
Cash Inflows			
Capital contributions received from the SA Government		135 000	-
Proceeds from borrowings		17 000	86 300
Cash generated from financing activities		152 000	86 300
Cash Outflows			
Repayment of borrowings		(17 518)	(39 621)
Dividends paid to SA Government		(7 199)	-
Cash used in financing activities		(24 717)	(39 621)
Net Cash provided by/(used in) Financing Activities		127 283	46 679
Net Increase/(Decrease) in Cash Held		100 775	247
Cash at the Beginning of the Financial Year		16 532	16 285
Cash at the End of the Financial Year	35	117 307	16 532

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

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Note 1 Objectives of the Urban Renewal Authority

The Urban Renewal Authority (trading as Renewal SA) is a statutory corporation established under the *Urban Renewal Act 1995* (the Act). In accordance with the Act, Renewal SA's Board of Management is appointed by His Excellency the Governor and comprises up to seven members, including a Presiding Member. The Presiding Member reports to the Minister for Housing and Urban Development. Renewal SA's functions contained in the Act include;

- The development of residential, commercial and industrial land in the public interest, particularly for urban renewal purposes
- The facilitation of public and private sector investment, undertaking development activities which are attractive to potential investors and participating in the development of the State
- Managing the orderly development of areas through the management and release of land
- Holding land and other property to be made available as appropriate for commercial, industrial, residential or other purposes

In undertaking its functions, Renewal SA will make a significant contribution to creating a vibrant city; safe communities, healthy neighbourhoods; an affordable place to live; and growing advanced manufacturing. Renewal SA has the responsibility for leading and co-ordinating urban renewal activity to ensure that our future housing needs are met through better planned, affordable and vibrant mixed use (residential and commercial) urban developments located near to transport, employment, education and other services.

Renewal SA has the following key strategic objectives:

- (a) Contribute to key strategic priorities of the SA Government, including:
 - creating a vibrant city
 - safe communities, healthy neighbourhoods
 - an affordable place to live; and
 - growing advanced manufacturing.
- (b) As the key precinct planning and delivery agency responsible for The 30-year Plan for Greater Adelaide outcomes, work in partnership with communities and industry to help significantly reduce urban sprawl and progressively deliver 70% of urban growth within existing urban areas by 2038.
- (c) Through innovation and excellence in design quality, create well connected and integrated neighbourhoods where people can afford to live in safe, vibrant and healthy communities.
- (d) Show leadership to the market in social and environmental sustainability with smart planning and delivery for South Australia's expected population growth.
- (e) Acquire and assemble land to generate agreed urban outcomes in strategic locations for development or redevelopment via commercial negotiation and by leveraging opportunities from government owned land assets.
- (f) Facilitate opportunities to renew and improve social housing stock through urban renewal projects and by supporting the growth of the not-for-profit housing sector to meet future tenancy needs, to reduce current concentrations of social disadvantage and create safe healthy and vibrant communities.
- (g) Undertake development, including precinct planning, infrastructure and human services planning and coordination, to ensure the appropriate delivery of approved projects.
- (h) Engage, involve and consult with the community and other stakeholders during the planning and delivery of residential, commercial and mixed use projects that connect people to transport, services, employment and the community around them.
- (i) Negotiate with key stakeholders financial arrangements for the delivery of necessary infrastructure in development areas.
- (j) Ensure levels of affordable housing (purchase and rental) are increased, and overall levels of social rental housing (public, not-for-profit and community housing) are maintained across urban renewal projects.
- (k) Improve opportunities for more affordable living by concentrating Renewal SA program and project activity in transport corridors, maximising access to public transport and designing for reduced energy and water consumption.
- (l) Support economic development and employment growth through the creation and supply of employment lands and create opportunities for the private sector that will enable them to invest capital that will drive investment in urban renewal activities.
- (m) To be accountable and operate commercially in accordance with:
 - Sound business and financial management policies and practices
 - Government policy objectives; and
 - Prudent risk management practices.

Note 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*.

Renewal SA has applied Australian Accounting Standards that are applicable to for-profit entities, as Renewal SA 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 Renewal SA for the reporting period ended 30 June 2016.

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

Renewal SA did not voluntarily change any of its accounting policies during 2015-16.

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 Trust'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 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) 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.

Renewal SA'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 revalued.

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.

2.3 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 if the impact is material. The restated comparative amounts do not replace the original financial statements for the preceding period.

2.4 Rounding

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

2.5 Taxation

In accordance with *Treasurer's Instruction 22 Tax Equivalent Payments*, Renewal SA is required to pay to the SA Government an income tax equivalent. The income tax liability is based on the State Taxation Equivalent Regime, which applies the accounting profit method. This requires that the corporate income tax rate be applied to the net profit. The current income tax liability, if applicable, relates to the income tax expense outstanding for the current period (refer note 26).

Renewal SA is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, land tax and local government rate equivalents.

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

- when the GST incurred on the purchase of goods or services is not recoverable from the 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 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 are recoverable from, or payable to, the Australian Taxation Office are classified as part of operating cash flows.

Unrecognised commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the 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.

2.6 Events after the end of the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event arose 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 occurred after 30 June and which may have a material impact on the results of subsequent years.

2.7 Income

Income is recognised to the extent that it is probable that the flow of economic benefits to Renewal SA 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 sales

(a) Inventories - Land held for sale

Sales revenue in respect of land made available to the Northgate Joint Venture is brought to account when settlement occurs on individual allotments, on the basis of a percentage of gross sales revenue as specified in the Joint Venture Agreement.

With respect to all other land sales, recognition of sales revenue occurs when settlement is completed and legal title transfers to the purchaser.

(b) Investment properties

Sales revenue from the disposal of investment properties is recognised when settlement is completed and legal title transfers to the purchaser.

For investment properties that are the subject of a deferred purchase agreement, sales revenue is recognised at the commencement of the agreement (which coincides with expiration of the 12 month building defects liability period).

however title to the property does not transfer to the purchaser until the deferred purchase agreement has been paid out in full.

Property income

Property income arising on investment properties is accounted for on a straight-line basis over the lease term. Income received in advance is disclosed as unearned income to the extent that it relates to future accounting periods.

Interest income

Interest revenue includes interest received on bank term deposits, interest from investments, interest from mortgage debtor receivables, and other interest received.

Joint venture income

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

Revenues from Commonwealth and SA Government

(a) Community service obligations

Renewal SA may be required under its charter to provide a number of non-commercial services to the community on behalf of the SA Government. The SA Government provides Renewal SA with funding to compensate for these non-commercial activities. Non-commercial activities include the provision of infrastructure, sustainable energy development and precinct and urban planning works.

Community service obligations are recognised at their fair value where there is a reasonable assurance that the funding will be received and Renewal SA will comply with all attached conditions.

Community service obligations relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate (refer note 5). Inventory development costs funded by community service obligations are capitalised against inventories and recognised in the Statement of Comprehensive Income as cost of sales when inventory is sold during the reporting period.

(b) Government grants

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

Renewal SA receives Government grants from the Commonwealth Government to implement a number of reforms in the social housing sector. The reforms include increasing the supply of social housing dwellings through construction of environmentally sustainable dwellings and locating social housing closer to transport, facilities and employment opportunities.

Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate (refer note 5).

Other contributions

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

Resources received free of charge

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

Gain from disposal of non-current assets and investments

Income from the disposal of non-current assets and investments is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds with carrying amount.

Other revenues

Other revenue is derived from the provision of goods and services to the public and other SA Government agencies. This revenue is recognised upon delivery of the service or by reference to the stage of completion and is brought to account when earned (refer note 8).

2.8 Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from Renewal SA 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 Renewal SA to superannuation plans in respect of current services of current Renewal SA staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole of government financial statements.

Supplies and services

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

Cost of sales

Cost of sales comprises all direct material acquisition, development and holding costs, offset by deferred community service obligations relating to these costs in respect of inventory sold during the reporting period. The carrying amount of any inventories held for sale are expensed as cost of sales when settlement occurs. A portion of future development obligations in respect of land which has been sold is also recognised in cost of sales when settlement occurs, where applicable.

Project expenditure

Costs associated with projects are capitalised where it is expected that future economic benefits will be derived by Renewal SA so as to recover those capitalised costs. Project costs are expensed where it is expected that the costs incurred will not be recovered.

Depreciation and amortisation

All plant and equipment, 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 assets such as leasehold improvements, while depreciation is applied to tangible 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.

Land and investment properties are not depreciated.

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

Class of Asset	Depreciation Method	Useful Life (Years)
Leasehold improvements	Straight Line	Life of lease
Plant and equipment	Straight Line	5 - 10 years
Furniture and fittings	Straight Line	5 - 10 years
Computer equipment	Straight Line	5 years

Borrowing costs

Borrowing costs include interest expense and guarantee fees. In accordance with *Accounting Policy Framework II General Purpose Financial Statements Framework* and *AASB 123 Borrowing Costs*, borrowing costs attributable to the construction of a qualifying asset are capitalised. All other borrowing costs are expensed when 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 and in the expense line items to which they relate.

2.9 Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. Renewal SA has a clearly identifiable operating cycle of 12 months. 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, Renewal SA 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 assets in the Statement of Financial Position include cash at bank, cash on hand, cash held in trust accounts and other short-term highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and equivalents consists 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, measured at historical cost.

Receivables arise in the normal course of selling goods and services to the public and other SA 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 Renewal SA will not be able to collect the debt. Bad debts are written off when identified.

Inventories

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

Inventories are measured at the lower of cost or their net realisable value (refer note 19). Net realisable value is determined using the estimated sales proceeds less costs incurred in producing, marketing and selling to customers. Net realisable value (NRV) is determined on each individual asset/project by independent valuation or via an internal cash flow valuation.

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

The following are specific recognition criteria:

Land held for sale

Land held for sale is carried at the lower of cost or NRV. Costs comprise all direct material acquisition, development and holding costs offset by deferred Government grants relating to these costs. NRV is the estimated selling price in the ordinary course of business less both the estimated costs of completion and the estimated cost necessary to make the sale. Renewal SA reviews its inventory balances at balance date and writes off inventory where the NRV is less than the carrying amount. The NRV for land holdings at risk of being carried in excess of NRV was determined by an independent valuation of its market value less selling costs.

All land inventory is classified as a non-current asset unless its value is anticipated to be realised through sale within 12 months.

Where inventory was acquired at no or nominal consideration as part of a restructuring of administrative arrangements, the inventory was recorded at the value recorded by the transferor, immediately prior to transfer.

Development Projects

Development Projects are large projects that require significant capital investment in order to realise revenue over an extended period of time. Development Projects are carried at the lower of cost or NRV. Costs comprise all direct material acquisition, development and holding costs offset by deferred Government grants relating to these costs. NRV is the estimated selling price in the ordinary course of business less both the estimated costs of completion and the estimated cost necessary to make the sale. Renewal SA reviews its inventory balances at balance date and writes off inventory where the NRV is less than the carrying amount. The NRV for land

holdings at risk of being carried in excess of net realisable value was determined by an internal cash flow valuation based on the current delivery strategy for each project.

In determining the NRV via an internal valuation, the expected net cash flows from the development and sale of land, buildings and improvements in the ordinary course of business are discounted to their present values using a risk-adjusted discount rate. The rate is assessed annually having regard to appropriate risk factors.

The ordinary course of business delivery method and assumptions for each project could change due to market conditions or a change in policy or project strategy which could change the NRV. Where the NRV of a project is below the current inventory value, the difference is recognised as write down of inventory and an expense in the Comprehensive Operating Statement.

All development projects are classified as a non-current asset unless its value is anticipated to be realised through sale within 12 months.

Where inventory was acquired at no or nominal consideration as part of a restructuring of administrative arrangements, the inventory was recorded at the value recorded by the transferor, immediately prior to transfer.

Interests in joint ventures

Renewal SA's interest in joint ventures is measured by applying the equity method. Renewal SA's share of the assets and liabilities of joint ventures in which it has a participating interest is included in the Statement of Financial Position as investment in joint ventures. Renewal SA's share of net profit from joint ventures is included as revenue in the Statement of Comprehensive Income as share of net profit/(loss) in joint ventures. Details of Renewal SA's interests in joint ventures is shown in note 4.

Work in progress

Expenditure associated with the construction of investment properties held for operational purposes is capitalised as work in progress as incurred (refer note 22). When a project of this nature reaches practical completion (which generally coincides with the commencement of the building defects liability period), the accumulated costs are transferred from work in progress to investment properties.

Investment properties

Investment properties are held to earn rentals and/or for capital appreciation purposes.

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 Renewal SA.

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 property income, on a straight-line basis over the lease term.

Any gains or losses on the sale of investment property are recognised in the Statement of Comprehensive Income in the year of sale.

Where investment property was acquired at no or nominal consideration as part of a restructuring of administrative arrangements, the investment property was recorded at the value recorded by the transferor, immediately prior to transfer.

An independent valuation of all Renewal SA's investment properties was conducted as at 30 June 2016.

Acquisition and recognition of non-current assets

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

All non-current tangible assets with a value equal to or in excess of \$10,000 are capitalised.

All non-current assets, having limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Depreciation is applied to tangible assets such as property, plant and equipment (refer note 2.8).

Where non-current assets are acquired at no, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the non-current assets are acquired as part of a restructuring of administrative arrangements then the non-current assets are recognised at the book value recorded by the transferor, immediately prior to transfer.

Impairment

All non-current assets are tested for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. 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 its recoverable amount is recorded as an impairment loss.

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.

Renewal SA 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 were reviewed by the Chief Executive and Audit and Risk Committee at reporting date.

Non-financial assets

In determining fair value, Renewal SA has taken into account the characteristics of the asset (for example 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).

Renewal SA'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.

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 notes 20, 21 and 23 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurement for non-financial assets.

Financial assets/liabilities

Renewal SA does not recognise any financial assets or financial liabilities at fair value.

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.

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 Renewal SA.

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

The Paid Parental Leave Scheme payable represents amounts which Renewal SA has received from the Commonwealth Government to forward onto eligible employees via Renewal SA's standard payroll processes. That is, Renewal SA 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.

Employee benefits on-costs include payroll tax, Return to Work SA levies and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

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

Borrowings/Financial liabilities

Renewal SA measures financial liabilities including borrowings/debt at historical cost. Financial liabilities that are due to mature within 12 months after the reporting date have been classified as current liabilities. All other financial liabilities are classified as non-current.

Leases

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

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases. Renewal SA has only entered into operating leases.

Renewal SA as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

Renewal SA as lessee

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.

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

Liabilities 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 skills and experience retention leave liability are 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 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 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 duration that match, as closely as possible, the estimated future cash outflows.

The portion of the long service leave liability classified as current represents the amount that may be expected to be paid as leave taken or paid on termination of employment during Renewal SA's normal operating cycle.

Employee benefit on-costs

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

Unearned Income

Unearned income includes rental income and revenues from Commonwealth and SA Government received in advance. Rental income from the leasing of inventories and investment properties is recognised in the Statement of Comprehensive Income as part of property income, on a straight-line basis over the lease term. 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.

Provisions

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June provided by a consulting actuary engaged through the Office of 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.

Renewal SA is responsible for the payment of workers compensation claims.

Guarantees and indemnities

Renewal SA constructs and owns specialised building premises which are leased or sold to private companies under the Premises SA Scheme. The construction of these buildings is financed through the use of SA Government Financing Authority loans. In some instances the outstanding loan amount in respect of construction exceeds the market value of the building. In order to address these value shortfalls, the former Industrial and Commercial Premises Corporation obtained guarantees and indemnities from the Minister for Industry and Trade for some of the arrangements entered into. Renewal SA is now the beneficiary of these guarantees and indemnities.

2.12 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 (refer notes 31 and 32).

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 33).

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.

2.13 Insurance

Renewal SA has arranged through the SA Government Captive Insurance Corporation (SAICORP) to insure all major risks of Renewal SA. The excess payable under this arrangement varies depending on each class of insurance held.

2.14 Financial risk management

Renewal SA is exposed to a variety of financial risks, i.e. market risk, credit risk and liquidity risk (refer note 36).

Renewal SA maintains risk management policies and practices in accordance with *AS/NZS ISO 31000:2009 Risk Management - Principles and Guidelines*.

Renewal SA has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (deposits with the Treasurer and SAFA and mortgage debtor receivables) and liabilities (borrowings from the SA Government).

Renewal SA's exposure to foreign exchange risk and cash flow interest risk is minimal. Renewal SA is exposed to price risk for changes in interest rates that relate to long-term debt obligations.

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



Note 3 Revenue from Sales and Cost of Sales

Sales revenue comprises revenue earned from the sale of land for residential, commercial and community purposes, including land made available for joint venture developments.

Sales revenue for the reporting period is summarised as follows:

	2016	2015
	\$'000	\$'000
<i>Land sales to:</i>		
Joint ventures	10 673	11 858
Entities within the SA Government	6 484	9 070
Other - sales to general public and developers	40 454	27 353
Total Sales Revenue	57 611	48 281

Cost of sales comprise all direct material acquisition, development and holding costs in respect of inventory sold during the reporting period. Cost of sales for the reporting period is summarised as follows:

	2016	2015
	\$'000	\$'000
<i>Cost of sales associated with:</i>		
Joint ventures	1 150	596
Entities within the SA Government	2 202	9 681
Other - sales to general public and developers	25 517	23 449
Total Cost of Sales	28 869	33 726

Note 4 Joint Ventures

Renewal SA's share of the profit from ordinary activities of joint ventures in which Renewal SA has a participating interest, is as follows:

	Northgate Stage 3 Joint Venture		Total for all Joint Ventures	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Revenues	14 154	15 737	14 154	15 737
Expenses	(10 950)	(12 946)	(10 956)	(12 831)
Profit from ordinary activities	3 204	2 791	3 198	2 906

Movements in Renewal SA's investment in joint ventures during the reporting period are summarised as follows:

Share of investment in joint ventures:

Carrying amount at the beginning of the period	6 555	5 764	6 585	5 879
Profit for the reporting period	3 204	2 791	3 198	2 906
Distribution of profit	(6 000)	(2 000)	(6 024)	(2 200)
Total carrying amount of investment in joint ventures	3 759	6 555	3 759	6 585

Renewal SA's investment in joint ventures is represented by its share of assets and liabilities as follows:

<i>Current assets:</i>				
Cash	3 247	4 483	3 247	4 825
Receivables	695	598	695	610
Inventories	3 323	5 030	3 314	5 226

Financial assets	-	-	-	197
Deferred tax asset	-	-	-	157
	7 265	10 111	7 256	11 015
Non current assets:				
Property, plant and equipment	349	469	349	469
	349	469	349	469
Total Assets	7 614	10 580	7 605	11 484
Current liabilities:				
Creditors and other payables	3 855	4 025	3 846	4 439
Financial liabilities	-	-	-	226
Tax liabilities	-	-	-	64
	3 855	4 025	3 846	4 729
Total liabilities	3 855	4 025	3 846	4 729
Net assets	3 759	6 555	3 759	6 755
Impairment	-	-	-	(170)
Net assets after impairment	3 759	6 555	3 759	6 585
The net assets is split as follows:				
Current	3 410	6 086	3 410	6 116
Non current	349	469	349	469
	3 759	6 555	3 759	6 585

Northgate Stage 3 Joint Venture

In July 2006 documentation was executed with CIC Northgate Pty Ltd, a wholly-owned subsidiary of CIC Australia Limited, to establish a joint venture to develop the land subdivision component of Precinct One at Northgate Stage 3. The project primarily comprises the subdivision and sale of residential allotments and integrated housing sites together with the development of reserves and associated community facilities.

Renewal SA has a 50% interest in the joint venture. Under the terms of the agreements for the joint venture, Renewal SA will make available to the joint venture land for development and receive progressive land payments as development proceeds.

Mawson Lakes Economic Development Project

On 10 July 1997 Joint Venture Agreements were executed with Delfin Property Group Limited (now Lend Lease Communities Australia Limited), Lend Lease Corporation Limited and associated subsidiary companies to commence the Mawson Lakes Economic Project at the Levels. This project comprised residential, retail and industrial land to be developed over a fifteen year timeframe. Other parties with commitments to the joint venture arrangements were the City of Salisbury, University of South Australia and the Government of South Australia.

Renewal SA had a 50% interest in the joint venture. Under the terms of the agreements for the joint venture, Renewal SA made available to the joint venture land for development. In addition the State Government had obligations for various infrastructure works associated with the project. A final disbursement was received in June 2016 and the joint venture is now terminated.

PAWR Marina Joint Venture

Renewal SA has a 50% interest in a marina berth joint venture with Newport Quays Consortium, the former developers of the Port Adelaide Waterfront Redevelopment (PAWR). Under the PAWR Marina Joint Venture, marina berths were offered under leasehold arrangements, with Renewal SA retaining ownership of the inner harbour (subjacent land).

On 13 February 2014, Renewal SA and the Newport Quays Consortium executed a deed of settlement. Subject to various conditions precedent being met, the deed of settlement provides for the resolution of a number of issues arising between the parties following the termination of the PAWR Project Development Agreement (PDA) with the Newport Quays Consortium, which occurred on 31 October 2011, including the dissolution of the PAWR Marina Joint Venture. Renewal SA and the Newport Quays Consortium are presently working through these conditions precedent, which conditions when fulfilled will dissolve the PAWR Marina Joint Venture. One of the conditions precedent, being the grant of under leases to Renewal SA of the 19 vacant marina berths in the 2 marinas has occurred. The dissolution of the PAWR Marina Joint Venture is anticipated to be finalised during the next financial year.

Note 5 Revenues from Commonwealth and SA Government

	2016	2015
	\$'000	\$'000
Revenues from Commonwealth and SA Government is summarised as follows:		
Community service obligations from SA Government	24 405	20 827
Funding from Commonwealth Government	960	4 772
Other SA Government revenues	5 249	256
Gross revenues from Commonwealth and SA Government	30 614	25 855
Less: Deferred community service obligations from SA Government for inventories development costs	(21 211)	(14 750)
Total Revenues from Commonwealth and SA Government	9 403	11 105

Note 6 Interest Revenues

	2016	2015
	\$'000	\$'000
Mortgage debtor interest	-	506
Interest from operating accounts	397	463
Other Interest	538	-
Total Interest Revenues	935	969

Note 7 Property Income

	2016	2015
	\$'000	\$'000
Rental income	18 170	17 953
Recoveries	7 673	8 027
Other property income	69	213
Total Property Income	25 912	26 193

Note 8 Other Revenues

	2016	2015
	\$'000	\$'000
Consulting revenue	4 004	4 301
Employee Services*	10 759	4 700
Recoveries	586	1 543
Other revenues	2 615	349
Total Other Revenues	17 964	10 893

* Represents the recovery of costs for the provision of employee related services to the SAHT

Note 9 Net Loss/Gain from Disposal of Assets

	2016	2015
	\$'000	\$'000
Plant and equipment:		
Proceeds from disposal	-	-
Less net book value of assets disposed	(33)	-
Net Loss from disposal of plant and equipment	(33)	-
Investment properties:		
Proceeds from disposal	-	9 000
Less net book value of assets disposed	-	(9 950)
Net Gain from disposal of completed assets	-	(950)
Total Net Loss/Gain from Disposal of Assets	(33)	(950)

Note 10 Employee Benefits Expenses

	2016	2015
	\$'000	\$'000
Salaries and wages	25 684	22 014
Long service leave	1 263	564
Annual leave	2 289	1 929
Skills and experience retention leave	114	71
Employment on-costs - superannuation	2 822	2 329
Employment on-costs - other	1 704	1 345
Board and committee fees	275	228
Other employee related expenses	563	317
Gross employee benefits expense	34 714	28 797
Less: Employee benefits capitalised to inventories	(3 143)	(3 475)
Total Employee Benefits Expenses	31 571	25 322

Targeted Voluntary Separation Packages (TVSPs)

Amount paid to staff		
TVSPs	728	-
Annual Leave, Retention Leave and long service leave paid to those employees	525	-
Net Cost to Renewal SA	1 253	-

Number of employees who received a TVSP during the reporting period was: 9 -

Remuneration of Employees

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

	2016 No	2015 No
\$141 500 to \$145 000 [^]	-	1
\$145 001 to \$155 000	8	4
\$155 001 to \$165 000	7	10
\$165 001 to \$175 000	8	9
\$175 001 to \$185 000*	-	4
\$185 001 to \$195 000	2	1
\$195 001 to \$205 000	2	2
\$205 001 to \$215 000	2	-
\$225 001 to \$235 000	1	-
\$235 001 to \$245 000	1	-
\$245 001 to \$255 000*	1	1
\$255 001 to \$265 000	1	1
\$265 001 to \$275 000	1	1
\$275 001 to \$285 000*	3	-
\$295 001 to \$305 000	-	1
\$305 001 to \$315 000	1	-
\$325 001 to \$335 000*	-	1
\$335 001 to \$345 000	-	1
\$345 001 to \$355 000*	1	-
\$395 001 to \$405 000	1	-
\$415 001 to \$425 000*	-	1
Total number of employees	40	38

[^]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 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 \$7.987 million (\$7.342 million).

* The table above also includes the termination component where the employee meets the \$145 001 (\$141 500) threshold on normal remuneration. In 2015-16, two employees (2015: four) included in the table received termination payments.

Note 11 (a) Key Management Personnel

Board members

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

Hon B J Pike, Presiding Member
P A Baker
R L Boorman
H M Fulcher
G Knight
D McArdle (commenced August 2015)
T Groom (commenced August 2015)

Key management personnel compensation

Key Management Personnel of Renewal SA includes members of the Board and the senior management team (including the Chief Executive) who have responsibility for the strategic direction and management of Renewal SA.

Key management personnel compensation for the period ended 30 June 2016 and 2015 is set out below.

	2016 \$'000	2015 \$'000
Salaries and other short-term employee benefits	1 662	2 137
Post-employment benefits	171	269
Termination benefits	-	1 465
Total employee benefits	1 833	3 871

Remuneration of governing board members

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

	2016 No	2015 No
\$1 to \$9 999	-	1
\$20 000 to \$29 999	-	1
\$30 000 to \$39 999	6	3
\$70 000 to \$79 999	1	1
Total number of governing board members	7	6

Total remuneration received and receivable by all governing board members for the period they held office was \$0.297 million (2015: \$0.228 million) which includes superannuation contributions.

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

Note 11 (b) Remuneration of committee members

Remuneration of committee members

Committee members during the financial year were:

Playford North Urban Renewal Project Steering Committee

J Blaess
M Buchan
P Fagan Schmidt
M Hemmerling

S Kennedy
G Martin
P Reardon
L Stevens
R Veitch

The Playford North Urban Renewal Project Steering Committee disbanded in December 2014

Renewal SA also has an Audit Committee that consists of members from the Board however no members of this committee receive additional remuneration.

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

	2016 No	2015 No
Nil*	-	8
\$1 to \$9 999	-	1
\$20 000 to \$29 999	-	-
Total number of committee members	-	9

Remuneration of committee members reflects all costs of performing committee member duties including sitting fees, superannuation contributions and salary sacrifice benefits. Total remuneration received by all committee members for the period they held office was nil (2015: \$6,000).

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

Unless otherwise disclosed, transactions between members and Renewal SA 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.

Note 12 Related Party Disclosure

Directors

Details of the Directors of Renewal SA appointed in accordance with the *Urban Renewal Act (1995)* are set out in Note 11 (a).

During the period of their appointment to Renewal SA the Directors disclosed the following:

Hon B J Pike was the Presiding Member of the Board of Management of the Urban Renewal Authority (trading as Renewal SA) and is Chair of Uniting Care Victoria/Tasmania, Western Health, Australian College of Educators and a Board Member of Uniting Care NSW/ACT

Mr P A Baker was Chairman of the Adelaide Convention Bureau, Non-Executive Director of Flinders Ports Holdings and a Non-Executive Director of Port Hedland International Airport Group of companies.

Mr R L Boorman was a Director of Bob Boorman and Associates, Director of Atomix Pty Ltd, Director of Haslop Pty Ltd and Board Member of Bowls SA.

Ms H M Fulcher was a member of the Board of Uniting Care Wesley Port Adelaide.

Mr G R Knight was a Commissioner of the Essential Services Commission of South Australia.

Mr T Groom is the Deputy Presiding Member of the Parole Board.

Mr D J McArdle was a member of the Board of Turner Securities Ltd.

From time to time Renewal SA may have dealings with the above entities. Any transactions entered into with these entities are carried out in the ordinary course of business and on normal commercial terms and conditions.

Apart from the above interests, no Directors have declared a pecuniary interest, either direct or indirect, in any firm, trust or company with which Renewal SA had entered into a transaction during the financial year.

Note 13 Operating Expenditure

	2016	2015
	\$'000	\$'000
Property expenditure	15 563	15 707
Land tax	20 648	22 522
Contractors and consultants	3 312	3 527
Accommodation costs	1 387	1 791
Administration and other expenditure	11 605	13 306
Gross supplies and service expenditure	52 515	56 853
Less: Land tax capitalised to inventories	(3 870)	(5 835)
Total Operating Expenditure	48 645	51 018

External Consultants

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

	2016	2016	2015	2015
	Number	\$'000	Number	\$'000
Below \$10 000	43	185	67	215
Above \$10 000	19	588	38	1 220
Total paid/payable to the consultants engaged	62	773	105	1 435

Note 14 Borrowing Costs

	2016	2015
	\$'000	\$'000
Borrowing costs on Premises SA Scheme loans	813	1 319
Borrowing costs other loans	13 475	13 424
Borrowing costs overdraft	126	1 156
Guarantee fees on Premises SA Scheme loans	394	341
Guarantee fees other loans	7 932	6 903
Guarantee fees overdraft	83	679
Gross borrowing costs	22 823	23 822
Less: Borrowing costs capitalised to inventories	(6 410)	(8 884)
Total Finance Costs	16 413	14 938

Renewal SA does not capitalise borrowing costs unless they are directly attributable to the acquisition, construction or production of a qualifying asset.

Note 15 Auditors Remuneration

	2016	2015
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department relating to the financial statements audit	207	218
Total Audit Fees	207	218

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 administration and other expenditure (refer note 13).

Note 16 Income Tax Equivalent

In accordance with Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*, Renewal SA is required to pay to the SA Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting

profit method, which requires that the corporate income tax rate (presently 30.0%) be applied to the profit for the reporting period.

Renewal SA made a financial loss for the years ended 30 June 2016 and 2015, therefore no income tax equivalent is payable in either reporting periods.

Note 17 Dividends paid to SA Government

	2016	2015
	\$'000	\$'000
Dividends	7 199	-
Total Dividends paid to SA Government	7 199	-

Pursuant to the *Urban Renewal Act 1995*, Renewal SA must make a recommendation to the Minister before the end of each year regarding the payment of a dividend for that financial year. Due to the loss before income tax equivalent in 2015-16, Renewal SA did not pay an annual dividend for this financial year. Renewal SA is required to make special dividend payments associated with the Adelaide Station and Environs Redevelopment (ASER) site. In 2015-16 the Minister approved a special dividend payment of \$7.199 million in relation to the 2015-16 financial year and two prior years of ASER special dividends.

Note 18 Receivables

	2016	2015
	\$'000	\$'000
Current		
Trade and other receivables	9 391	13 599
Operating lease receivables	5 428	4 760
Employee related services recoverable	1 714	1 884
Provision for doubtful debts	(2 674)	(2 931)
Prepayments	628	272
Total Current Receivables	14 487	17 584
Non-Current		
Operating lease receivables	4 190	3 316
Employee related services recoverable	2 417	2 702
Total Non-Current Receivables	6 607	6 018
Total Receivables	21 094	23 602

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 note 13 for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2016	2015
	\$'000	\$'000
Carrying amount at the beginning of the period	2 931	1 668
Increase in the allowance	376	1 704
Decrease in the allowance	(633)	(441)
Carrying amount at the end of the period	2 674	2 931
<i>Bad debts written off:</i>		
Trade debtors	669	709
<i>Transfer to provision for doubtful debts:</i>		
Trade debtors	(257)	1 263
Total bad and doubtful debts expense	412	1 972

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than 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

Refer to table in note 36

Ageing analysis of financial assets

Refer to table in note 36

Risk exposure information:

Refer to table in note 36

Note 19 Inventories

	2016	2015
	\$'000	\$'000
Current		
Land held for sale	33 533	62 053
Development projects	38 731	24 379
Total Current Inventories	72 264	86 432

Non-Current		
Land held for sale	190 396	155 933
Development projects	43 565	178 030
Total Non-Current Inventories	233 961	333 963
Total Inventories	306 225	420 395

	2016	2015
	\$'000	\$'000
Movements in carrying amounts:		
Carrying amount at the beginning of the period	420 395	455 183
Land purchases	21 505	355
Development costs capitalised	52 353	87 258
Community service obligations for development costs	(21 211)	(14 750)
Cost of sales	(28 869)	(33 726)
Transfer to Investments (see Note 20)	(739)	-
Inventory write down	(137 209)	(75 226)
Reversal of inventories write down	-	1 301
Carrying amount at the end of the period	306 225	420 395

Inventories were reviewed at 30 June 2016 to ensure they are carried at the lower of cost and net realisable value (NRV).

Renewal SA has reassessed its delivery plans for several major projects to take into account the prevailing challenging market conditions and the extent to which these conditions are expected to continue into the future. This review has resulted in a reduction of the future expected revenues from these projects. In response, Renewal SA has modified its delivery plans in some projects to ensure future capital and operational expenditures are contained within expected revenues. While this strategy is anticipated to result in a positive net cash flow in future years, it is insufficient to fully recover past carrying value for a number of projects.

As a result of this review inventory was written down by \$137.209 million (2015: \$75.226 million) and nil write-down reversals were recognised (2015: \$1.301 million) during the financial year.

Note 20 Investment properties

	2016	2015
	\$'000	\$'000
Freehold land at fair value:		
Independent valuation	73 554	76 067
Total Freehold land at fair value	73 554	76 067
Buildings at fair value:		
Independent valuation	73 026	58 936
Total Buildings at fair value	73 026	58 936
Total Investment Properties	146 580	135 003
Movements in carrying amounts	2016	2015
	\$'000	\$'000
<i>Freehold land at fair value:</i>		
Carrying amount at the beginning of the period	76 067	89 892
Transfer from Inventory (see Note 19)	739	-
Disposals	-	(3 536)
Net loss on fair value adjustments	(3 252)	(10 289)
Carrying amount at the end of the period	73 554	76 067
<i>Buildings at fair value:</i>		
Carrying amount at the beginning of the period	58 936	77 727
Additions	11	131
Transfer from Work in Progress (see Note 22)	16 408	-
Disposals	-	(6 414)
Net loss on fair value adjustments	(2 329)	(12 508)
Carrying amount at the end of the period	73 026	58 936
Total carrying amount at the end of the period	146 580	135 003
Amounts Recognised in the Statement of Comprehensive Income		
Property Income (refer to note 7)	13 578	13 663
Direct operating expenses arising from investment properties that generated rental income (refer note 13)	(4 731)	(18 986)
Direct operating expenses arising from investment properties that did not generate rental income (refer note 13)	(61)	(680)
Total amount recognised in the Statement of Comprehensive Income	8 786	(6 003)

Valuation Basis

An independent valuation of all Renewal SA's investment properties was conducted as at 30 June 2016. Valuations of all investment properties were undertaken by qualified Certified Practising Valuers with extensive experience in the local market with equivalent properties. Valuations were carried out in accordance with the relevant provisions of the *Australian Property Institute of Australia and New Zealand's Valuation and Property Standards* and as per *AASB 140 Investment Property*. The valuer arrived at fair value using either the direct comparison, discounted cash flows, summation or capitalisation of net income approach.

Note 21 Property, Plant and Equipment

	2016	2015
Leasehold Improvements	\$'000	\$'000
At cost (deemed fair value)	3 162	3 162
Accumulated amortisation	(1 433)	(1 096)
Total Leasehold Improvements	1 729	2 066
Plant and Equipment		
At cost (deemed fair value)	1 137	1 322
Accumulated depreciation	(450)	(472)
Total Plant and Equipment	687	850
Total property, plant and equipment at cost (deemed fair value)	4 299	4 484
Total accumulated depreciation	(1 883)	(1 568)
Total Property, Plant and Equipment	2 416	2 916

Carrying amount of Leasehold Improvements and Plant and Equipment

The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3, of the fair value hierarchy, as there has been no subsequent adjustments to their value, except for management assumptions about the assets' condition and remaining useful life.

Impairment

There were no indications of impairment of Leasehold Improvements or Plant and Equipment at 30 June 2016.

Plant and equipment includes \$0.100m (2015: \$0.270m) of fully depreciated assets still in use.

Movements in carrying amounts	2016	2015
<i>Leasehold Improvements:</i>	\$'000	\$'000
Carrying amount at the beginning of the period	2 066	2 393
Additions	-	10
Amortisation	(337)	(337)
Carrying amount at the end of the period	1 729	2 066
<i>Plant and Equipment:</i>		
Carrying amount at the beginning of the period	850	990
Additions	24	24
Disposals	(33)	-
Depreciation	(154)	(164)
Carrying amount at the end of the period	687	850
Total Property, Plant and Equipment	2 416	2 916

Note 22 Work in Progress

	2016	2015
	\$'000	\$'000
Construction projects in progress	94	1 084
Total Work in Progress	94	1 084
Movements in carrying amounts:	2016	2015
	\$'000	\$'000
Carrying amount at the beginning of the period	1 084	-
Development costs capitalised	15 418	1 084
Transfers to Investment Properties	(16 408)	-
Carrying amount at the end of the period	94	1 084

Note 23 Fair Value Measurement

Fair Value Hierarchy

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

	2016 \$'000	Level 2 \$'000	Level 3 \$'000
Fair Value Measurements at 30 June 2016			
Recurring fair value measurement			
Investment properties (Note 20)	146 580	146 580	-
Leasehold improvements (Note 21)	1 729	-	1 729
Plant and equipment (Note 21)	687	-	687
Total recurring fair value measurements	148 996	146 580	2 416
Fair Value Measurements at 30 June 2015			
Recurring fair value measurement			
Investment properties (Note 20)	135 003	135 003	-
Leasehold improvements (Note 21)	2 066	-	2 066
Plant and equipment (Note 21)	850	-	850
Total recurring fair value measurements	137 919	135 003	2 916

Renewal SA'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, Renewal SA had no valuations categorised into level 1 and there were no transfers of assets between level 1 and 2 fair value hierarchy levels during the financial year.

Valuation techniques and inputs

Refer to notes 20 and 21 for valuation techniques and inputs used to derive level 2 and 3 fair values. During 2015 and 2016 there were no changes in valuation techniques during the financial year. Although unobservable inputs were used in determining fair value, and are subjective, Renewal SA considers that the overall valuation would not be materially affected by changes to the existing assumptions. The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3).

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

	Leasehold Improvements \$'000	Plant & Equipment \$'000
Opening balance at the beginning of the period	2 066	850
Acquisitions	-	24
Disposals		(33)
Total gains (losses) for the period recognised in net result:		
Depreciation and Amortisation expenses	(337)	(154)
Carrying amount at the end of the period	1 729	687

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

	Leasehold Improvements	Plant & Equipment
	\$'000	\$'000
Opening balance at the beginning of the period	2 393	990
Acquisitions	10	24
Total gains (losses) for the period recognised in net result:		
Depreciation and Amortisation expenses	(337)	(164)
Carrying amount at the end of the period	2 066	850

Note 24 Payables

	2016	2015
	\$'000	\$'000
Current		
Trade creditors	7 090	7 777
Sundry creditors and accrued expenses	5 861	6 320
GST Payable	1 937	470
Parental Leave Scheme	2	-
Employment on costs	627	1 094
Total Current Payables	15 517	15 661
Non-Current		
Employment on costs	554	548
Total Non-Current Payables	554	548
Total Payables	16 071	16 209

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 (37.0%) to 40% and the average factor for the calculation of employer superannuation costs 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 current financial year is an increase in the employment on-cost and employee benefits expense of \$0.237m.

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.

Categorisation of financial instruments and maturity analysis of payables:

Refer to table in note 36

Risk exposure information:

Refer to table in note 36

Note 25 Borrowings

	2016	2015
	\$'000	\$'000
Current		
Loans - South Australian Government Financing Authority (a)	12 744	12 710
Loans - South Australian Government Financing Authority (b)	103 150	178 050
Total Current Borrowings	115 894	190 760
Non-Current		
Loans - South Australian Government Financing Authority (a)	7 599	8 143
Loans - South Australian Government Financing Authority (b)	395 151	320 251
Total Non-Current Borrowings	402 750	328 394
Total Borrowings	518 644	519 154

(a) Comprises borrowings from the South Australian Government Financing Authority (SAFA) in respect of funding for industrial and commercial construction projects under the Premises SA Scheme.

(b) Comprises borrowings from SAFA in respect of other activities of Renewal SA.

Borrowings are recognised at cost and have fixed maturity dates. The interest rate is determined by the Treasurer. The average rate of interest capitalised in the reporting period was 4.32% in 2016 (4.86% in 2015).

Categorisation of financial instruments and maturity analysis of borrowings:

Refer to table in note 36

Risk exposure information:

Refer to note 36

Defaults and breaches

There were no defaults or breaches on any of the above borrowings during the year.

Note 26 Tax Liabilities

In accordance with Treasurer's Instructions issued under the Public Finance and Audit Act 1987, Renewal SA is required to pay to the SA Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate (presently 30.0%) be applied to the profit for the reporting period.

Renewal SA made a financial loss for the years ended 30 June 2016 and 2015, therefore no income tax equivalent is payable in either reporting periods.

Note 27 Unearned Income

	2016	2015
	\$'000	\$'000
Current		
Unearned Income	3 121	5 925
Total Current Unearned Income	3 121	5 925
Non-Current		
Unearned Income	5 877	7 236
Total Non-Current Unearned Income	5 877	7 236
Total Unearned Income	8 998	13 161

Includes rental income of \$7.419 million (2015: \$9.029 million) and revenues from Commonwealth and SA Government of \$1.579 million (2015: \$4.130 million) received in advance.

Note 28 Provision

	2016	2015
	\$'000	\$'000
Current		
Provision for land acquisition costs	20 525	-
Provision for workers compensation	132	49
Total Current Provisions	20 657	49
Non-Current		
Provision for workers compensation	251	153
Total Non-Current Provisions	251	153
Total Provisions	20 908	202
Movements in carrying amounts	2016	2015
<i>Provision for workers compensation</i>	<i>\$'000</i>	<i>\$'000</i>
Carrying amount at the beginning of the period	202	-
Additional provisions recognised	296	406
Reductions arising from payments	(115)	(204)
Carrying amount at the end of the period	383	202

Provision for land acquisition costs

Carrying amount at the beginning of the period	-	-
Additional provisions recognised	20 525	-
Carrying amount at the end of the period	20 525	-
Total Provisions	20 908	202

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on actuarial assessment performed by the Office for the Public Sector (a division of the Department of Premier and Cabinet).

Note 29 Employee Benefits

	2016	2015
	\$'000	\$'000
Current		
Accrued wages and salaries	456	260
Annual leave	2 546	2 316
Long service leave	1 294	969
Skills and experience retention leave	130	126
Total Current Employee Benefits	4 426	3 671
Non-Current		
Long service leave	5 999	6 127
Total Non-Current Employee Benefits	5 999	6 127
Total Employee Benefits	10 425	9 798

AASB119 *Employee Benefits* contains the calculation methodology for long service liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave liability. AASB119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service 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, results in an increase in the reported long service leave liability.

The net financial effect of the changes in actuarial assumptions in the current financial year is an increase in the long service leave liability of \$0.327m and employee benefits expense of \$0.488m. 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 liability and 3% annual leave and skills, experience and retention leave liability.

Note 30 Other Liabilities

	2016	2015
	\$'000	\$'000
Current		
Funds held in trust	298	293
Security Deposits	182	-
Total Current Other Liabilities	480	293

These funds are being held in trust on behalf of the Minister for Housing and Urban Development. The funds are to be disbursed by Renewal SA to the developer of the land formerly occupied by the Cheltenham racecourse upon achievement of key deliverables related to affordable housing and the development of open spaces.

Note 31 Unrecognised Contractual Commitments - Operating Leases

Operating lease receivables:

	2016	2015
	\$'000	\$'000
Future minimum rental revenues under non-cancellable operating property leases held at balance date but not provided for in the accounts:		
Due within one year	9 391	10 006
Due later than one year not longer than five years	30 806	19 084
Due later than five years	47 707	17 238
Total operating lease receivables	87 904	46 328

Operating lease payables:

	2016	2015
	\$'000	\$'000
Non-cancellable operating leases contracted for at balance date but not provided for in the accounts, net of GST:		
Payable within one year	1 299	1 213
Payable later than one year not longer than five years	4 490	4 858
Payable later than five years	-	669
Total operating lease payables	5 789	6 740

These amounts comprise property leases and leases for motor vehicles. The property leases are non-cancellable and will expire on 31 December 2020, with rent payable monthly in advance. Motor vehicles are leased over varying terms up to three years.

Note 32 Unrecognised Contractual Commitments - Capital Expenditure

Capital expenditure commitments:

At reporting date Renewal SA had capital expenditure commitments contracted for but not recognised as liabilities in the financial report, as follows:

	2016	2015
	\$'000	\$'000
Payable within one year	27 226	13 984
Payable later than one year not longer than five years	9 506	3 318
Payable later than five years	4 839	15 190
Total capital expenditure commitments:	41 571	32 492

Note 33 Contingent Liabilities

Commonwealth Grant Funding

The South Australian Housing Trust received \$9.5 million grant funding from the Commonwealth government as part of an affordable housing scheme for properties developed under the Woodville West project. This project was transferred to Renewal SA in 2011-12. The South Australian Housing Trust applied \$5.098 million of this funding prior to the transfer to Renewal SA and in 2015-16 passed \$4.402 million onto Renewal SA. There are discussions taking place with the Commonwealth to confirm the formal acquittal of these funds, the outcome of which may require part or all of the funds to be returned. At balance date Renewal SA has recognised \$4.402 million of this funding as a payable. The payment of this and a further amount of \$5.098 million is contingent on the outcome of the discussions which include the consideration of proposals which may not involve the repayment of these funds.

Note 34 Cash Flow Reconciliation

	2016 \$'000	2015 \$'000
Reconciliation of cash and cash equivalents at the end of the reporting period:		
Statement of Cash Flows	117 307	16 532
Statement of Financial Position	117 307	16 532
Reconciliation of profit/(loss) after income tax equivalent to net cash provided by/(used in) operating activities:		
Profit/(loss) after income tax equivalent	(153 152)	(122 830)
	(153 152)	(122 830)
Add/Less non cash items		
Inventories write down	137 209	75 226
Net gain from administrative restructure	637	-
Depreciation and amortisation	491	501
Net loss on disposal of plant and equipment	33	-
Provision for doubtful debts	(257)	1 263
Transfers to investment properties	(739)	-
Share of net profits of joint ventures	(3 198)	(2 906)
Provision adjustment	(20 821)	(406)
Net gain on disposal of investment property	-	950
Reversal of inventories write-down	-	(1 301)
Investment property net loss on fair value adjustments	5 581	22 797
	118 936	96 124
Changes in Assets / Liabilities		
(Increase)/Decrease in mortgage debtor receivables	-	21 812
(Increase)/Decrease in other receivables	3 129	(13 853)
(Increase)/Decrease in prepayments	(356)	(238)
(Increase)/Decrease in inventories	(23 676)	(39 139)
Increase/(Decrease) in payables	(138)	(5 173)
Increase/(Decrease) in unearned income	(4 163)	1 003
Increase/(Decrease) in provisions	41 527	608
Increase/(Decrease) in employee benefits	627	5 286
Increase/(Decrease) in other liabilities	187	7
	17 137	(29 687)
Net cash provided by/(used in) Operating Activities	(17 079)	(56 393)

Note 35 Cash and Cash Equivalents

	2016	2015
	\$'000	\$'000
Current		
Deposits with the Treasurer	114 952	14 574
Short-term deposits with SAFA	172	168
Cash held in Cheltenham trust account	298	293
Cash at bank and on hand	1 885	1 497
Total Cash and Cash Equivalents	117 307	16 532

Deposits with the Treasurer

Includes funds held in Renewal SA's operating account.

Short-term deposits

Short-term deposits are made for varying periods of between one day and three months. These deposits are lodged with SAFA and earn the respective short-term deposit rates.

Interest rate risk

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

Note 36 Financial Instruments Disclosure/Financial Risk Management

36.1 Financial risk management

Renewal SA'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*.

Renewal SA 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.

36.2 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 note 36.2 for the carrying amounts of each of the following categories of financial assets and liabilities: loan and receivables; financial liabilities measured at cost; and held-to-maturity investments.

Renewal SA 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. Refer to Note 2.10 for information on Renewal SA's fair value measurement hierarchy.

- 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 notes 2, 18 and 24).
- borrowings are recognised at historical cost, plus any transaction costs directly attributable to the borrowings. The fair value of borrowings approximates the carrying amount, as the impact of discounting is not significant (refer notes 2 and 25).

36.3 Categorisation and maturity analysis of financial assets and liabilities

	Note	Carrying Amount \$'000	2016 Contractual Maturities			Fair Value \$'000
			< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	
2016						
Financial assets:						
Cash and cash equivalents	35	117 307	117 307	-	-	117 307
Loans and receivables:						
Receivables (a) (b)	18	19 008	14 818	651	3 539	18 485
Allowance for doubtful debts	18	(2 674)	(2 674)	-	-	(2 674)
Total Financial assets		133 641	129 451	651	3 539	133 118
Financial liabilities:						
Financial liabilities at cost:						
Payables (a)	24	12 743	12 743	-	-	12 743
Borrowings	25	518 644	115 894	402 750	-	500 703
Total Financial liabilities		531 387	128 637	402 750	-	513 446
Net Financial Assets/(Liabilities)		(397 746)	814	(402 099)	3 539	(380 328)

	Note	Carrying Amount \$'000	2015 Contractual Maturities			Fair Value \$'000
			< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	
2015						
Financial assets:						
Cash and cash equivalents	35	16 532	16 532	-	-	16 532
Loans and receivables:						
Receivables (a) (b)	18	21 673	18 357	3 316	-	21 673
Allowance for doubtful debts	18	(2 931)	(2 931)	-	-	(2 931)
Total Financial assets		35 274	31 958	3 316	-	35 274
Financial liabilities:						
Financial liabilities at cost:						
Payables (a)	24	13 899	13 899	-	-	13 899
Borrowings	25	519 154	190 760	285 142	43 252	495 386
Total Financial liabilities		533 053	204 659	285 142	43 252	509 285
Net Financial Assets/(Liabilities)		(497 779)	(172 701)	(281 826)	(43 252)	(474 011)

(a) 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 levies, tax 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).

(b) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 18 as receivables in accordance with paragraph 78(b) of AASB 101 *Presentation of Financial Statements*. However, prepayments are not financial assets as defined in AASB 132 *Financial Instruments: Presentation* as the future economic benefits of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

36.4 Liquidity risk

Liquidity risk arises from the possibility that Renewal SA is unable to meet its financial obligations as they fall due. Renewal SA settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in the table of Note 36.3 represents Renewal SA's maximum exposure to financial liabilities.

36.5 Credit risk

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

The carrying amount of financial assets as detailed in Table 36.3 represents Renewal SA's maximum exposure to credit risk.

Renewal SA manages its credit risk and has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. Renewal SA 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 Renewal SA.

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.

36.6 Ageing analysis of receivables

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

	Overdue < 30 Days \$'000	Overdue 30 - 60 Days \$'000	Overdue > 60 Days \$'000	Carrying Amount \$'000
2016				
Not impaired:				
Receivables	430	756	1 089	2 275
Impaired:				
Receivables	-	33	2 604	2 637
Receivables at 30 June 2016	430	789	3 693	4 912
2015				
Not impaired:				
Receivables	469	176	478	1 123
Impaired:				
Receivables	111	115	2 255	2 481
Receivables at 30 June 2015	580	291	2 733	3 604

36.7 Market risk

Market risk for Renewal SA is primarily through price risk. Prices for residential, industrial and commercial property have been depressed as a consequence of slow market conditions within the local South Australian and Adelaide markets. Renewal SA also has exposure to interest rate risk arising through its borrowings. Renewal SA's borrowings are managed through SAFA and any movement in interest rates are monitored regularly. There is no exposure to foreign currency risks.

36.8 Sensitivity analysis

A sensitivity analysis has been undertaken for the interest rate risk of Renewal SA and it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial over a 5 year period. The impact of property price movements on the financial results is impractical to estimate as the analysis would be overly assumptive.

Note 37 Administrative Restructures

2016

Transfer of assets from the South Australian Housing Trust

Pursuant to the provisions of section 23 of the *South Australian Housing Trust Act 1995*, the Minister for Housing and Urban Development, with the concurrence of the Treasurer, gazetted on 28 April 2016 the transfer of assets from the South Australian Housing Trust to Renewal SA effective 21 April 2016.

Renewal SA recognised the following income upon the transfer of these assets from the South Australian Housing Trust:	2016
Net gain from administrative restructure	\$'000
Net Result	637

Renewal SA recognised the assets transferred from the South Australian Housing Trust in the Statements of Financial Position as follows:	2016
Inventories	\$'000
Total Assets Transferred	637

2015

Transfer of employees from the Department for Communities and Social Inclusion

Under the Public Sector (Reorganisation of Public Sector Operations) Notice 2015, from 5 February 2015 the Department for Communities and Social Inclusion transferred specified employees only to Renewal SA. Assets and liabilities relating to these employees were transferred into Renewal SA as at 31 January 2015.

Revenue and expenses for the transferred employees for 2014-15:	DCSI	URA	Total
	Jul - Jan 2015	Feb - Jun 2015	
Income	\$'000	\$'000	\$'000
Recoveries	6 151	4 692	10 843
Total Income	6 151	4 692	10 843
Expenses			
Employee Benefits Expenses	6 151	4 692	10 843
Total Expenses	6 151	4 692	10 843
Profit/(loss) before income tax equivalent	-	-	-

Assets and liabilities transferred in as at 31 January 2015:	2015
	\$'000
Current Assets	
Receivables	1 036
Total Current Assets	1 036
Non-Current Assets	
Receivables	3 126
Total Non-Current Assets	3 126
Total Assets	4 162
Current Liabilities	
Payables	143
Employee benefits	893
Total Current Liabilities	1 036

Non-Current Liabilities

Payables	283
Employee benefits	2 843
Total Non-Current Liabilities	3 126
Total Liabilities	4 162
Net Assets Transferred	-

Note 38 Transactions with SA Government

Note	SA Government		Non-SA Government		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
INCOME						
3 Revenue from sales	6 484	9 070	51 127	39 211	57 611	48 281
3 Less: cost of sales	(2 202)	(9 681)	(26 667)	(24 045)	(28 869)	(33 726)
Gross profit	4 282	(611)	24 460	15 166	28 742	14 555
4 Share of net profit/(loss) in joint ventures	-	-	3 198	2 906	3 198	2 906
5 Revenues from Commonwealth and SA Government	9 403	6 333	-	4 772	9 403	11 105
6 Interest revenues	382	457	553	512	935	969
7 Property income	8 415	8 543	17 497	17 650	25 912	26 193
8 Other revenues	15 660	9 170	2 304	1 723	17 964	10 893
37 Net gain from administrative restructures	637	-	-	-	637	-
TOTAL INCOME	38 779	23 892	48 012	42 729	86 791	66 621
EXPENSES						
10 Employee benefits expenses	1 447	1 218	30 124	24 104	31 571	25 322
13 Operating expenditure	23 765	25 950	24 880	25 068	48 645	51 018
14 Borrowing costs	16 413	14 938	-	-	16 413	14 938
21 Depreciation and amortisation	-	-	491	501	491	501
4 Impairment loss	-	-	142 790	96 722	142 790	96 722
9 Net loss from disposals	-	-	33	950	33	950
TOTAL EXPENSES	41 625	42 106	198 318	147 345	239 943	189 451
FINANCIAL ASSETS						
18 Receivables	7 331	17 398	11 677	9 135	19 008	26 533
18 Allowance for doubtful debts	-	-	(2 674)	(2 931)	(2 674)	(2 931)
TOTAL FINANCIAL ASSETS	7 331	17 398	9 003	6 204	16 334	23 602
FINANCIAL LIABILITIES						
24 Payables	2 346	7 358	10 397	8 851	12 743	16 209
25 Borrowings	518 644	519 154	-	-	518 644	519 154
TOTAL FINANCIAL LIABILITIES	520 990	526 512	10 397	8 851	531 387	535 363

Note 39 Events after the Reporting Period

As part of the 2016-17 State budget process in July, the SA Government announced its intention to transfer to Renewal SA the TAFE SA assets currently owned by the Department of State Development (DSD). The assets are expected to be acquired during 2016-2017 and will be financed through a mix of debt and equity. The acquisition price will be in accordance with agreed market valuations between DSD and Renewal SA.

CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the:

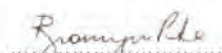
- Attached general purpose financial statements for the Urban Renewal Authority (trading as Renewal SA):
 - are in accordance with the accounts and records of the Urban Renewal Authority; and
 - comply with relevant Treasurer's Instructions; and
 - comply with relevant Australian Accounting Standards; and
 - present a true and fair view of the financial position of the Urban Renewal Authority as at 30 June 2016 and the results of its operations and cash flows for the financial year.
- Internal controls employed by the Urban Renewal Authority for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the financial year and there are reasonable grounds to believe the Urban Renewal Authority 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.



J F HANLON
CHIEF EXECUTIVE

15 September 2016



HCN B J PIKE
PRESIDING MEMBER

14 September 2016



D DE LUCA
GENERAL MANAGER,
CORPORATE SERVICES

19 September 2016

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Presiding Member Urban Renewal Authority

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the accompanying financial report of the Urban Renewal Authority 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 Presiding Member, the Chief Executive and the General Manager Corporate Services.

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.

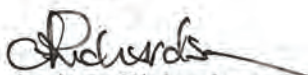
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. 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 the Urban Renewal Authority'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 Urban Renewal Authority 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