



Government
of South Australia

Report
of the
Auditor-General
Annual Report
for the
year ended 30 June 2017

Tabled in the House of Assembly and ordered to be published, 17 October 2017

Second Session, Fifty-Third Parliament

Appendix to the Annual Report
Volume 3

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Libraries Board of South Australia

Financial report
for the year ended
30 June 2017

Libraries Board of South Australia
Statement of Comprehensive Income
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Staff benefits	5	13 550	13 134
Supplies and services	6	8 594	8 181
Accommodation and facilities	7	2 664	2 518
Depreciation and amortisation	8	2 177	2 120
Subsidies to public libraries	9	10 632	11 204
Total expenses		37 617	37 157
Income			
Fees and charges	10	318	277
Bequests and donations		449	440
Council contributions		126	175
Rent and facilities hire	11	242	278
Resources received free of charge	12	488	412
Investment income	13	576	613
Recoveries		216	252
Other		143	258
Net gain from the disposal of non-current assets	14	99	64
Total income		2 657	2 769
Net cost of providing services		34 960	34 388
Revenues SA Government			
Recurrent operating grant		34 035	33 147
Capital grant		407	-
Total revenues from SA Government	15	34 442	33 147
Net result		(518)	(1 241)
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Changes in asset revaluation surplus		-	29 160
Total other comprehensive income		-	29 160
Total comprehensive profit / (loss)		(518)	27 919

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

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

Libraries Board of South Australia
Statement of Financial Position
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	16	7 906	5 324
Receivables	17	1 539	1 334
Total current assets		9 445	6 658
Non-current assets			
Receivables	17	27	11
Property, plant and equipment	18	61 429	63 161
Intangible assets	19	161	188
Research and heritage collections	20	141 991	141 675
Investments	21	7 423	8 311
Total non-current assets		211 031	213 346
Total assets		220 476	220 004
Current liabilities			
Payables	22	1 239	883
Staff benefits	23	2 173	1 296
Provisions	24	10	17
Other	25	11	-
Total current liabilities		3 433	2 196
Non-current liabilities			
Payables	22	253	274
Staff benefits	23	2 754	2 965
Provisions	24	17	32
Other	25	10	10
Total non-current liabilities		3 034	3 281
Total liabilities		6 467	5 477
Net assets		214 009	214 527
Equity			
Retained earnings		86 871	87 389
Asset revaluation surplus		127 138	127 138
Total equity		214 009	214 527

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	26
Contingent assets and liabilities	27

Libraries Board of South Australia
Statement of Changes in Equity
for the year ended 30 June 2017

	Note	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2015		97 978	88 630	186,608
Net result for 2015-16		-	(1 241)	(1 241)
Gain on revaluation of research and heritage collections		29 160	-	29 160
Total comprehensive result for 2015-16		29 160	(1 241)	27 919
Balance at 30 June 2016		127 138	87 389	214 527
Net result for 2016-17		-	(518)	(518)
Total comprehensive result for 2016-17		-	(518)	(518)
Balance at 30 June 2017		127 138	86 871	214 009

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

Libraries Board of South Australia
Statement of Cash Flows
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash outflows			
Staff benefits		(12 906)	(12 751)
Supplies and services		(7 988)	(8 421)
Accommodation and facilities		(2 664)	(2 518)
Subsidies to public libraries		(10 632)	(11 204)
Cash used in operations		(34 190)	(34 894)
Cash inflows			
Fees and charges		318	277
Bequests and donations		428	396
Council contributions		126	175
Rent and facilities hire		257	290
Investment income		556	622
Recoveries		217	252
Other		154	218
Cash generated from operations		2 056	2 230
Cash flows from SA government			
Recurrent operating grant		34 035	33 147
Capital grant		407	-
Cash generated from SA government		34 442	33 147
Net cash provided by operating activities		2 308	483
Cash flows from investing activities			
Cash outflows			
Purchase of heritage collections		(295)	(640)
Purchase of investments		(734)	(409)
Purchase of property, plant and equipment		(423)	(601)
Purchase of land and buildings		-	-
Cash used in investing activities		(1 452)	(1 650)
Cash inflows			
Proceeds from the sale of / maturity of investments		1 726	174
Proceeds from sale of property, plant and equipment		-	3
Cash generated from investing activities		1 726	177
Net cash used in investing activities		274	(1 473)
Net increase/(decrease) in cash and cash equivalents		2 582	(990)
Cash and cash equivalents at the beginning of the period		5 324	6 314
Cash and cash equivalents at 30 June		7 906	5 324

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

Libraries Board of South Australia
Disaggregated Disclosures
for the year ended 30 June 2017

	Provision of State Library Services		Support of Public Library Services		Eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses								
Staff benefits	10 964	10 879	2 586	2 255	-	-	13 550	13 134
Supplies and services	3 072	3 355	5 566	5 023	(44)	(197)	8 594	8 181
Accommodation and facilities	2 662	2 500	2	18	-	-	2 664	2 518
Depreciation and amortisation	2 132	2 074	45	46	-	-	2 177	2 120
Subsidies to public libraries	-	-	10 632	11 204	-	-	10 632	11 204
Total expenses	18 830	18 808	18 831	18 546	(44)	(197)	37 617	37 157
Income								
Fees and charges	317	278	1	(1)	-	-	318	277
Bequests and donations	449	440	-	-	-	-	449	440
Council contributions	-	-	126	175	-	-	126	175
Rent and facilities hire	242	278	-	-	-	-	242	278
Resources received free of charge	431	358	57	54	-	-	488	412
Investment income	503	525	73	88	-	-	576	613
Net gain from the disposal of non-current assets	99	64	-	-	-	-	99	64
Recoveries	140	91	76	161	-	-	216	252
Other	187	365	-	90	(44)	(197)	143	258
Total income	2 368	2 399	333	567	(44)	(197)	2 657	2 769
Net cost of providing services	16 462	16 409	18 498	17 979	-	-	34 960	34 388
Revenues from (payments to) SA Government								
Recurrent operating grant	15 230	14 797	18 805	18 350	-	-	34 035	33 147
Capital grant	407	-	-	-	-	-	407	-
Total revenues from SA Government	15 637	14 797	18 805	18 350	-	-	34 442	33 147
Net result	(825)	(1 612)	307	371	-	-	(518)	(1 241)
Assets								
Assets	215 099	215 594	5 377	4 410	-	-	220 476	220 004
Total assets	215 099	215 594	5 377	4 410	-	-	220 476	220 004
Liabilities								
Liabilities	5 076	4 374	1 391	1 103	-	-	6 467	5 477
Total liabilities	5 076	4 374	1 391	1 103	-	-	6 467	5 477

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2017

1 Objectives of the Libraries Board of South Australia

The Libraries Board of South Australia (the Board) is constituted pursuant to section 8 of the *Libraries Act 1982* (the Act). The Board is charged with the management of the State Library of South Australia (SLSA) and the Public Library Services (PLS) under the Act.

The functions of the Board as prescribed under the Act are as follows

- Formulate policies and guidelines for the provision of public library services
- Establish, maintain and expand collections of library materials
- Administer the State Library
- Promote, encourage and assist in the establishment, operation and expansion of public libraries and public library services by councils and others.

2 Significant accounting policies

(a) Statement of compliance

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

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

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

(b) Basis of preparation

The preparation of the financial statements requires:

- The use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Board's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- The selection and application of accounting policies in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- Compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the Accounting Policy Statements require the following Note disclosures, which have been included in the financial statements:
 - a) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
 - b) staff targeted voluntary separation package information
 - c) staff whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly, by the entity to those staff
 - d) Board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2017

2 Significant accounting policies (continued)

(c) State Government funding

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

(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.

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

(e) Taxation

The Board is not subject to Income Tax. The Board is liable for Payroll Tax, Fringe Benefits Tax, Goods and Services Tax (GST) and Emergency Services Levy.

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

The net GST receivable/payable to the ATO is not recognised as a receivable/payable in the Statement of Financial Position as the Board is a member of an approved GST group of which Arts South Australia, a division of the Department of State Development, is responsible for the remittance and collection of GST. As such, there are no cash flows relating to GST transactions with the ATO in the Statement of Cash Flows.

(f) Rounding

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

(g) Events after the reporting period

There were no events after the reporting period.

(h) Source of Funds

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

(i) Subsidies to Public Libraries

Public Library Services receives contributions from Councils to purchase additional materials through the centralised purchasing system. The expenditure for these materials is recorded under Subsidies to Public Libraries in the Statement of Comprehensive Income. The total amount received from councils for the year was \$126 000 (\$175 000).

(j) Current and non-current classification

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.

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

Non-current assets are subsequently measured at fair value after allowing for accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2017

2 Significant accounting policies (continued)

(k) Non-current asset acquisition and recognition

All non-current assets with a value of \$10 000 or greater are capitalised.

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

Depreciation and amortisation of non-current assets

All non-current assets, having a limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, on an annual basis. Land and heritage collections are not depreciated. Depreciation is calculated on a straight line basis over the estimated useful life of the following classes of assets as follows:-

Class of asset	Useful life (years)
Property, plant and equipment:	
Buildings and improvements	10 - 50
Plant and Equipment	5 - 20
Computer Equipment	3 - 10
Compactus and lifts	30
Intangibles	3 -10

The research and heritage collections are kept under special conditions to minimise deterioration and are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised, as their service potential has not, in any material sense, been consumed during the reporting period.

(l) Valuation of non-current assets

Revaluation of non-current assets

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

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

Any 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.

Land and buildings

An independent valuation of the land and buildings was conducted as at 30 June 2014 by Valcorp Australia Pty Ltd. The valuation of land and buildings as at 30 June 2014 was prepared on a fair value basis in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*.

The valuer used depreciated replacement cost (DRC) for buildings. The depreciated replacement cost considered the need for ongoing provision of government services; specialised nature of the assets, including the restricted use of the assets; the size, condition, location and current use of the assets. The valuation was based on a combination of internal records, specialised knowledge and the acquisition/transfer costs.

The valuation of land was based on recent market transactions for similar land in the area and includes adjustment for factors specific to the land being valued such as size, location and current use.

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2017

2 Significant accounting policies (continued)

Plant and equipment

All items of plant and equipment including computer equipment and compactus and shelving on acquisition, had a 'fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years', and have not been revalued in accordance with APF III. The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the assets' condition and remaining useful life.

Public Library Services collections

The film collection is valued at zero value on the basis that this collection is not being added to, is rarely used and may not be disposed under the terms of its original acquisition.

Research and heritage collections

The research and heritage collection valuations are independently revalued every five years. The collections were valued as at 30 June 2016 by Mr. P Tinslay, NCJV Registered Valuer, of Aon Risk Solutions (Fine Arts Division).

This valuer specialises in the valuation of heritage assets. This valuation has been carried out in accordance with the principles determined by the International Valuation Standards Committee. These international standards have been followed except where they are altered by Australian Law or by local standards as laid out by the Australian Property Institute.

The market approach has been utilised to determine fair value. The market approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. This approach considers the prices of identical or similar assets that are listed or offered for sale and may necessitate adjusting the price information from other transactions to reflect any differences in the terms of the actual transaction and the basis of value and any assumptions adopted in the valuation being undertaken, as well as differences in the legal, economic or physical characteristics of the assets in other transactions and the asset being valued.

In instances where there were sufficient observable transactions of similar assets to the subject asset (generally in second hand markets) level 1 Inputs have been used. Where inputs to the fair value measurement are considered level 2 in the fair value hierarchy they have been observed from the market and the valuer has made relatively minor adjustments for differences in asset characteristics.

For the valuation of the collections refer to note 20.

Intangible assets

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

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

Fair value measurement - Non-financial assets

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

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

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2017

2 Significant accounting policies (continued)

(m) Impairment of assets

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

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

All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any costs of disposal would be negligible, accordingly the recoverable amount will be close to or greater than fair value.

The Board also expects for all other non-current tangible assets that any costs of disposal will be negligible and the recoverable amount to be close to or greater than fair value.

There were no indications of impairment of property, plant and equipment and intangibles as at 30 June 2017.

(n) Staff benefits

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

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

Liabilities for salaries, wages, annual leave and skills and experience retention leave (SERL) have been recognised as the amount unpaid at the reporting date at remuneration rates current at reporting date. The annual leave liability and the SERL liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid.

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

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by staff up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of staff departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The current portion of long service leave reflects the expected amount of long service leave taken in the next twelve months based on historical data.

(o) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2017

3 New and revised Accounting Standards

The Board did not voluntarily change any of its accounting policies during 2016-2017.

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 2017.

AASB 16 *Leases* will apply for the first time for the year to reporting periods beginning on or after 1 January 2019. The amended standard introduces a single accounting model for lessees, eliminating the distinction between operating and finance leases. The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease payments will no longer be expensed in the Statement of Comprehensive Income on a straight line basis. Rather, they will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will be recognised as an expense. It is anticipated that there will be a marginal impact on net result due to recognition of depreciation and interest on lease liabilities as expenses.

The classification of cash flows will be affected as operating lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively. Currently, operating lease payments are presented as operating cash flows and recorded as commitments, which are not captured in the Statement of Financial Position.

The Board has not yet quantified the impact of applying AASB 16 *Leases* to its operating lease arrangements and the resulting impact on the Statement of Comprehensive Income, the Statement of Financial Position and the Commitments disclosure in the Notes to the Financial Statements.

4 Activities of the Libraries Board

The identity and purpose of each major activity undertaken by the Board during the year ended 30 June 2017 is summarised below (refer to the Disaggregated Disclosures Schedules - Expenses and Income and Assets and Liabilities).

Activity 1 - Provision of State Library Services

To provide, through the State Library of South Australia, a comprehensive library and information service for the economic, educational, cultural and social benefit of South Australia and its citizens.

Activity 2 - Support of Public Library Services

To provide through Public Library Services and the distribution of State subsidies, an equitable and responsible provision of resources, support and services to public libraries and community information agencies.

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2017

5 Staff benefits

	2017	2016
	\$'000	\$'000
Salaries and wages	9 422	9 326
Annual leave	921	923
Board fees	45	43
Long service leave	202	593
Payroll tax	595	611
Skills and experience retention leave	103	107
Superannuation	1 241	1 299
Targeted voluntary separation payments (refer below)	868	22
Workers compensation provision adjustment	(22)	15
Other staff related expenses	175	195
Total employee benefits expenses	13 550	13 134

The superannuation employment on-cost charge represents the board's contributions to superannuation plans in respect of current services of current employees.

Remuneration of staff

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

	2017	2016
	Number	Number
\$157 001 to \$167 000	1	1
\$177 001 to \$187 000	-	1
\$187 001 to \$197 000	1	-
\$227 001 to \$237 000 *	1	-
\$237 001 to \$247 000	-	1
\$247 001 to \$257 000	1	-
Total	4	3

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year.

* This bandwidth in 2016-17 included one staff member who cashed out their long service leave. This has resulted in their disclosure in this table.

Remuneration of staff reflects all costs including salaries and wages, payments in lieu of leave, superannuation contributions, Fringe Benefits Tax and salary sacrifice benefits. The total remuneration received by these staff members for the year was \$832 000 (\$589 000).

Targeted voluntary separation packages (TVSP's)

	2017	2016
	\$'000	\$'000
Amounts paid during the reporting period to separated staff:		
TVSPs	114	22
Annual leave, LSL and skills and experience retention leave paid to those staff	10	17
	124	39
Net cost to the Libraries Board	124	39

Number of employees who received a TVSP during the reporting period	2	1
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An additional 13 employees accepted TVSP offers on or before 30 June 2017, but the payments were not processed until July 2017. The total TVSP owed to these employees is \$754 000. This amount is recognised in accrued salaries and wages within note 23 staff benefits. The termination payments for outstanding leave balances owing for these

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2017

TVSPs totalling \$180 000 is also recognised within note 23. These amounts will be included as part of the 2017-18 TVSP disclosure.

6 Supplies and services

	2017	2016
	\$'000	\$'000
Business services charge	305	305
Cataloguing and end processing	527	878
Communications	846	941
Consultants' fees	190	192
Contractors	222	149
Electronic resources	319	377
Freight, courier, postage	1 658	1,543
Information technology	1 895	1,364
Insurance & risk management	207	234
Maintenance	103	151
Marketing and promotion	147	240
Minor equipment purchases and leasing	277	185
Preservation activities	225	167
Travel and accommodation	113	139
Other	1 560	1,316
Total supplies and services	8 594	8 181

Payments to Consultants

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

	2017	2016	2017	2016
	Number	Number	\$'000	\$'000
Below \$10 000	4	5	18	12
Above \$10 000	5	4	172	180
Total paid/payable to consultants engaged	9	9	190	192

7 Accommodation and facilities

	2017	2016
	\$'000	\$'000
Accommodation	1 182	1 175
Facilities	979	852
Security	503	491
Total accommodation and facilities	2 664	2 518

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2017

8 Depreciation and amortisation

	2017	2016
	\$'000	\$'000
Depreciation		
Buildings and improvements	1 814	1,810
Compactus and lifts	79	79
Computer equipment	110	110
Intangibles	27	26
Plant and equipment	147	95
Total depreciation and amortisation	2 177	2 120

9 Subsidies to Public Libraries

	2017	2016
	\$'000	\$'000
Library materials local purchase contribution	691	726
Library materials contribution	5 139	5 606
Operating contribution	4 750	4 821
Community information contribution	32	31
Community information access	20	20
Total subsidies to Public Libraries	10 632	11 204

10 Fees and charges

	2017	2016
	\$'000	\$'000
Fees for services	38	22
Lecturing services	179	146
Photocopying services	43	47
Other fees and charges	58	62
Total revenues from fees and charges	318	277

11 Rent and facilities hire

	2017	2016
	\$'000	\$'000
Facilities hire	37	64
Rental income	205	214
Total rent and facilities hire	242	278

12 Resources received free of charge

	2017	2016
	\$'000	\$'000
Conservation services	123	107
Business services	365	305
Total resources received free of charge	488	412

Resources received free of charge are recognised at their fair value.

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2017

12 Resources received free of charge (continued)

Under an arrangement with Arts South Australia and Artlab Australia, both divisions of the Department of State Development, Artlab Australia receives SA Government appropriation to perform conservation services on the heritage collections of the Board. The value of the work performed is recognised as resources received free of charge in income and a corresponding amount included as conservation work expenditure in supplies and services (note 6).

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

13 Investment income

	2017	2016
	\$'000	\$'000
Interest income	211	258
Dividends	196	192
Distributions	77	72
Dividend imputation credits	92	91
Total investment income	576	613

Interest revenue is recognised taking into account the interest rates applicable to the financial assets. Dividend income is recognised when the right to receive a dividend has been declared.

14 Net gain from the disposal of non-current assets

	2017	2016
	\$'000	\$'000
Investments		
Proceeds from the sale of investments	1 726	174
Less: Net book value of investments	(1 622)	(113)
Net gain from the disposal of investments	104	61
Property, plant and equipment		
Proceeds from the sale of property, plant and equipment	-	3
Less: Net book value of property, plant and equipment	(5)	-
Net (loss)/gain from the disposal of property, plant and equipment	(5)	3
Total assets		
Proceeds from disposal	1 726	177
Less: Net book value of assets disposed	(1 627)	(113)
Net gain from the disposal of non-current assets	99	64

Gains/losses on disposal of non-current assets are recognised at the date control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2017

15 Revenues from SA Government

	2017	2016
	\$'000	\$'000
Revenues from SA Government		
Recurrent operating grant	34 035	33 147
Capital grant	407	-
Total revenues from SA Government	34 442	33 147

16 Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Deposits with the Treasurer	7 899	5 316
Cash on hand	7	8
Total cash and cash equivalents	7 906	5 324

Deposits with Treasurer

Deposits with the Treasurer are funds held in the "Libraries Board of South Australia Account", an account held with the Treasurer of South Australia pursuant to section 21 of the *Public Finance and Audit Act 1987*, and funds held in the Premier and Cabinet Operating Account, an account held with the Treasurer of South Australia pursuant to section 8 of the *Public Finance and Audit Act 1987*.

The cash balance includes \$2.05 million of unspent funding allocated to public libraries for the purchase of library materials.

Cash on hand

Cash on hand includes petty cash, cheques held on-site and not banked, floats, change machines and an advance account.

Interest rate risk

Cash is recorded at nominal value. Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Board are held in a section 21 interest bearing account titled the "*Libraries Board of South Australia Account*".

Trust Accounts

Public Library Services hold subsidy payments in trust for the Outback Communities Authority and Aboriginal Lands (Anangu Pitjantjatjara, Maralinga Tjarutja, Nepabunna, Gerard and Yalata). These funds are controlled by the Board and are recorded in the cash balance as at 30 June 2017. The total of these trust accounts is \$180 000 (\$143 000).

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2017

17 Receivables

	2017	2016
	\$'000	\$'000
Current		
Prepayments	1 136	931
Receivables	234	254
Accrued income	169	149
Total current receivables	1 539	1 334
Non-current		
Prepayments	27	10
Receivables	-	1
Total non-current receivables	27	11
Total receivables	1 566	1 345

Receivables include amounts receivable from goods and services, prepayments and other accruals. Receivables arise in the normal course of selling goods and services to the public and other government agencies. Receivables are generally 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 Board will not be able to collect the debt. Bad debts are written off when identified.

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2017

18 Property, plant and equipment

	2017 \$'000	2016 \$'000
Land, buildings and improvements		
Land at valuation	4 530	4 530
Buildings and improvements at valuation	115 522	115 506
Accumulated depreciation	(61 303)	(59 489)
Total land, buildings and improvements	58 749	60 547
Work in progress		
Work in progress at cost	256	6
Total work in progress	256	6
Compactus and lifts		
Compactus and lifts at cost (deemed fair value)	2 469	2 449
Accumulated depreciation	(1 085)	(1 007)
Total compactus and lifts	1 384	1 442
Plant and equipment		
Plant and equipment at cost (deemed fair value)	2 144	2 047
Accumulated depreciation	(1 313)	(1 200)
Total plant and equipment	831	847
Computer equipment		
Computer equipment at cost (deemed fair value)	878	878
Accumulated depreciation	(669)	(559)
Total computer equipment	209	319
Total property, plant and equipment	61 429	63 161

Reconciliation of carrying amounts of property plant and equipment and intangible assets

	Land \$'000	Buildings and improv. \$'000	Work in progress \$'000	Compactus and lifts \$'000	Plant and equip. \$'000	Computer equip. \$'000	Total tangible assets \$'000	Computer Software \$'000	Total intangible assets \$'000
2017									
Carrying amount at the beginning of the period	4 530	56 017	6	1 442	847	319	63 161	188	188
Additions	-	-	407	16	-	-	423	-	-
Depreciation expense	-	(1 814)	-	(79)	(147)	(110)	(2 150)	(27)	(27)
Transfers to/(from)									
works in progress	-	16	(157)	5	136	-	-	-	-
Disposals	-	-	-	-	(5)	-	(5)	-	-
Carrying amount at the end of period	4 530	54 219	256	1 384	831	209	61 429	161	161

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2017

19 Intangible Assets

	2017	2016
	\$'000	\$'000
Intangibles		
Computer software	252	253
Less accumulated amortisation	(91)	(65)
Total intangibles	161	188

Impairment

There were no indications of impairment of intangibles as at 30 June 2017.

20 Research and heritage collections

	2017			2016		
	At	At cost /		At	At cost	
	valuation	additions	Total	valuation		Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Family history collection	145	-	145	145	-	145
Maps	6 362	13	6 375	6 362	-	6 362
Microfilm serials	57	44	101	57	-	57
Monographs	39 510	30	39 540	39 510	-	39 510
Mortlock audio-visual	894	5	899	894	-	894
Mortlock use collections	10 315	30	10 345	10 315	-	10 315
Newspapers purchased	6 568	64	6 632	6 568	-	6 568
Periodicals	12 606	102	12 708	12 606	-	12 606
Private archives	35 868	12	35 880	35 868	-	35 868
Purchased databases	16	-	16	16	-	16
Rare books and named collections	29 334	16	29 350	29 334	-	29 334
Total research and heritage collections	141 675	316	141 991	141 675	-	141 675

21 Investments

	2017	2016
	\$'000	\$'000
Non-current		
Shares and other direct investments in companies	7 423	8 311
Total investments	7 423	8 311

Investments are brought to account at cost in accordance with Accounting Policy Framework IV *Financial Asset and Liability Framework* APS 2.1.

The market value of investments as at 30 June 2017 is \$8.4 million (\$9.2 million).

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2017

22 Payables

	2017	2016
	\$'000	\$'000
Current		
Creditors and accruals	1 039	702
Staff on-costs	200	181
Total current payables	1 239	883
Non-current		
Staff on-costs	253	274
Total non-current payables	253	274
Total payables	1 492	1 157

Staff on-costs include Payroll Tax, ReturntoWorkSA levies and superannuation contributions. The Board makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the percentage of long service leave taken as leave remains at the 2016 rate of 40%. The average factor for the calculation of employer superannuation cost on-cost has decreased from the 2016 rate of 10.2% to 10.1%. These rates are used in the staff on-cost calculation. The financial effect of this change on staff on-costs and staff benefits expense is immaterial.

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

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owing but unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received.

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2017

23 Staff benefits

	2017	2016
	\$'000	\$'000
Current		
Annual leave	694	632
Long service leave	419	388
Skills and experience retention leave	115	127
Accrued salaries and wages	945	149
Total current staff benefits	2 173	1 296
Non-current		
Long service leave	2 754	2 965
Total non-current staff benefits	2 754	2 965
Total staff benefits	4 927	4 261

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

AASB 119 *Employee Benefits* 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 increased from 2016 (2.0%) to 2017 (2.5%).

The increase in the bond yield which is used as the rate to discount future long service leave cash flows, results in an decrease in the reported long service leave liability. The net financial effect of the changes in 2017 is immaterial. In 2016 the net financial effect of the changes is an increase in the long service leave liability of \$207 000 and employee benefits expense of \$207 000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions.

The salary inflation rate remained unchanged at 4.0% for long service leave. The salary inflation rate applied to annual leave and skills and experience retention leave also remained unchanged at 3.0%. The resulting financial effect of the change is immaterial.

24 Provisions

	2017	2016
	\$'000	\$'000
Current		
Provision for workers compensation	10	17
Total current provisions	10	17
Non-current		
Provision for workers compensation	17	32
Total non-current provisions	17	32
Total provisions	27	49
Provision movement		
Carrying amount at the beginning of the period	49	34
Decrease / (increase) in provision recognised	(22)	15
Carrying amount at the end of the period	27	49

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2017

24 Provisions (continued)

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2017 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 Board is responsible for the payment of workers compensation claims.

25 Other liabilities

	2017 \$'000	2016 \$'000
Current		
Revenue received in advance	11	-
Total current other liabilities	11	-
Non-current		
Contractual security deposit	10	10
Total non-current other liabilities	10	10
Total other liabilities	21	10

26 Unrecognised contractual commitments

Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2017 \$'000	2016 \$'000
Within one year	385	25
Later than one year but not longer than five years	1 443	-
Later than five years	735	-
Total operating lease commitments	2 563	25

The operating lease commitments predominantly comprise the Netley off-site storage. Other lease commitments relates to non-cancellable motor vehicle leases, with rentals payable monthly in arrears.

Public libraries commitments

Committed orders placed by public libraries through PLS for libraries materials at the reporting date not recognised as liabilities in the financial statements, are payable as follows:

	2017 \$'000	2016 \$'000
Within one year	1 618	1 129
Total public libraries commitments	1 618	1 129

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2017

26 Unrecognised contractual commitments (continued)

Other commitments

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

	2017	2016
	\$'000	\$'000
Within one year	2 993	2 058
Later than one year but not longer than five years	691	280
Total other commitments	3 684	2 338

27 Contingent assets and liabilities

The Board is not aware of any contingent assets or liabilities as at 30 June 2017.

28 Remuneration of board members

Members that were entitled to receive remuneration for membership during the 2016-17 financial year were:

Libraries Board

Mr JFB Bruce (Chairman)

Ms V Ciccarello

Ms JMH Finlay (term expired 18 November 2016, re-appointed 24 November 2016)

Mr SG Hicks

Mr A Luckhurst-Smith

Ms HE Nichols (term expired 8 July 2016)

Ms L Spurling

Ms JY Whittaker (appointed 9 July 2016)

Ms J Wisdom

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

	2017	2016
	Number of members	Number of members
\$0 - \$9 999	9	8
Total number of board members	9	8

Remuneration of board members reflects all costs of performing board member duties including sitting fees, superannuation contributions, Fringe Benefits Tax and any other salary sacrifice arrangements. Total remuneration received or receivable by members was \$45 000 (\$47 000).

Amounts paid or payable to a superannuation plan for board/committee members were \$4 000 (\$3 000).

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

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2017

29 Related Party Transactions

The Board is a statutory authority established pursuant to the *Libraries Act 1982* and is a wholly owned and controlled entity of the Crown.

Related parties of the Board include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Key Management Personnel

Key management personnel of the Board include the Minister for the Arts, the Chairman and Board Members of the Board itself and the Director of the State Library of South Australia, the Associate Director, State Library Services of the State Library of South Australia, and Associate Director, Public Library Services, all who have responsibility for the strategic direction and management of the Board.

Total compensation for the Board's key management personnel was \$648 000. Salaries and other benefits, that the Minister for the Arts receives are excluded from this total. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

Transactions with Key Management Personnel and other related parties

The Board received an annual recurrent operating grant of \$34.035 million from Arts South Australia, a division of the Department of State Development. The operating grant is the primary source of revenue for the Board as disclosed under note 15.

In addition, the Board receives business services including from the Department of State Development, and conservation services from Artlab Australia, a division of the Department of State Development. These services received free of charge are disclosed under note 12 .

30 Financial instruments / financial risk management

Financial risk management

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

The Board's exposure to financial risk (liquidity, credit and market) is insignificant based on past experience and current assessment of risk.

The Board is funded principally from grants from Arts South Australia a division of the Department for State Development. The Board works with Arts SA and the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

There have been no changes in risk exposure since the last reporting period.

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 Significant Accounting Policies.

The carrying amounts of each of the following categories of financial assets and liabilities: held-to-maturity investments; loan and receivables; and financial liabilities measured at cost and fair value are detailed below.

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2017

30 Financial instruments / financial risk management (continued)

Category of financial asset and financial liability	Statement of Financial Position	Note	2017		2016	
			Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets						
Cash and cash equivalents	Cash	16	7 906	7 906	5 324	5 324
Loans and receivables	Receivables ⁽¹⁾⁽²⁾	17	403	403	403	403
Available for sale financial assets	Investments	21	7 423	8 396	8 311	9 232
Financial liabilities						
Financial liabilities (at cost)	Payables ⁽¹⁾	22	988	988	652	652
Other	Other	25	21	21	10	10

- (1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, audit payables etc. they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).
- (2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 17 as trade and other 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 benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

31 Events after the reporting period

There were no events after the reporting period.

Libraries Board of South Australia
Certification of Financial Statements
for the year ended 30 June 2017

We certify that the attached general purpose financial statements of the Libraries Board of South Australia:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987* and relevant Australian Accounting Standards
- are in accordance with the accounts and records of the Libraries Board of South Australia
- present a true and fair view of the financial position of the Libraries Board of South Australia as at 30 June 2017 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Libraries Board of South Australia over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the financial year.



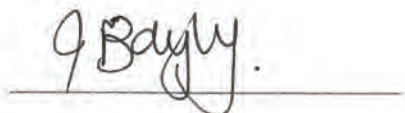
James Bruce
Chairman
Libraries Board of South Australia

13th September 2017



Alan Smith
Director
State Library of South Australia

13 September 2017



Jo Bayly
Acting Associate Director
Public Library Services

13th September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chairman Libraries Board of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 19(3) of the *Libraries Act 1982*, I have audited the financial report of the Libraries Board of South Australia for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Libraries Board of South Australia as at 30 June 2017, 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.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- Disaggregated Disclosures – Expenses and Income for the year ended 30 June 2017
- Disaggregated Disclosures – Assets and Liabilities as at 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chairman, Libraries Board of South Australia, the Director, State Library of South Australia and the Acting Associate Director, Public Library Services.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Libraries Board of South Australia. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the Director, State Library of South Australia and the Libraries Board of South Australia for the financial report

The Director, State Library of South Australia 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 the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The Libraries Board of South Australia is responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

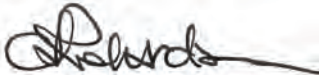
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director, State Library of South Australia

- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Director, State Library of South Australia and the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

20 September 2017

Lifetime Support Authority of South Australia

Financial report
for the year ended
30 June 2017

Lifetime Support Authority of South Australia
Statement of Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Participant treatment, care and support expenses	4	113 546	117 822
Duty on LSS Fund levy		14 755	14 377
Reinsurance		3 221	3 390
Employee benefits expenses	5	3 137	2 562
Service delivery and corporate expenses	7	1 913	1 540
Research, education and programs		581	595
Managed client		442	55
Amortisation expense	9	179	122
Total expenses		137 774	140 463
Income			
Revenues from LSS Fund levy		148 888	145 080
Investment revenues	10	32 836	9 542
Other revenues	11	22 924	866
Total income		204 648	155 488
Net result from operating activities		66 874	15 025
Net result		66 874	15 025
Total comprehensive result		66 874	15 025

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

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

Lifetime Support Authority of South Australia
Statement of Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	12	1 126	937
Receivables	13	2 098	2 163
Total current assets		3 224	3 100
Non-current assets			
Receivables	13	23 285	809
Financial assets at fair value	14	441 053	292 943
Property, plant and equipment	15	512	24
Intangible assets	16	281	363
Total non-current assets		465 131	294 139
Total assets		468 355	297 239
Current liabilities			
Payables	18	5 028	3 738
Employee benefits	19	310	227
Provisions	20	23 373	8 559
Total current liabilities		28 711	12 524
Non-current liabilities			
Payables	18	37	29
Employee benefits	19	404	317
Provisions	20	282 378	194 418
Total non-current liabilities		282 819	194 764
Total liabilities		311 530	207 288
Net assets		156 825	89 951
Equity			
Retained earnings		156 825	89 951
Total equity		156 825	89 951

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

	Note
Unrecognised contractual commitments	21
Contingent assets and liabilities	22

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

Lifetime Support Authority of South Australia
Statement of Changes in Equity
for the year ended 30 June 2017

	Retained Earnings \$'000	Total equity \$'000
Balance at 30 June 2015	74 926	74 926
Net result for 2015-16	15 025	15 025
Total comprehensive result for 2015-16	15,025	15,025
Balance at 30 June 2016	89,951	89,951
Net result for 2016-17	66 874	66 874
Total comprehensive result for 2016-17	66 874	66 874
Balance at 30 June 2017	156 825	156 825

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

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

Lifetime Support Authority of South Australia
Statement of Cash Flows
for the year ended 30 June 2017

		2017	2016
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash outflows			
Duty on LSS Fund levy		(14 649)	(14 360)
Participant treatment, care and support expenses		(10 479)	(5 384)
Employee benefits expenses		(2 937)	(2 354)
Reinsurance		(2 419)	(3 547)
Service delivery and corporate expenses		(1 175)	(1 979)
Research education and programs		(480)	(595)
Managed client		(442)	(55)
GST paid to the ATO		(30)	-
Payments for Paid Parental Leave Scheme		(2)	(6)
Cash (used in) operations		(32 613)	(28 280)
Cash inflows			
LSS Fund levy		148 422	144 813
Interest received		24	37
Other revenues		197	2
Receipts for Paid Parental Leave Scheme		-	8
Cash generated from operations		148 643	144 860
Net cash provided by operating activities	24	116 030	116 580
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(541)	-
Purchase of intangibles		-	(100)
Purchase of investments		(115 300)	(118 000)
Net cash (used in) investing activities		(115 841)	(118 100)
Net increase/(decrease) in cash and cash equivalents		189	(1 520)
Cash and cash equivalents at the beginning of the period		937	2 457
Cash and cash equivalents at the end of the period	12	1 126	937

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1 Objectives of the Lifetime Support Authority of South Australia

The Lifetime Support Authority of South Australia (LSA) is a not-for-profit statutory authority of the South Australian Government. The LSA was established on 1 July 2013 under section 7 of the *Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013* (the Act).

The Board is the governing body of the LSA, and was appointed by the Governor effective from 8 October 2013.

The LSA is responsible for the administration of the Lifetime Support Scheme (LSS), which commenced on 1 July 2014.

The LSS provides necessary and reasonable treatment, care and support for people who suffer very serious injuries in motor vehicle accidents in South Australia, regardless of fault. People who sustain injuries that cause paraplegia or quadriplegia, brain injury, amputations or equivalent, major burns or blindness, in accordance with the LSS Rules, qualify for support. The LSS is funded by the LSS Fund levy paid on motor vehicle registrations. The LSS is governed by the LSS Rules, which are made by the Governor on the recommendation of the LSA.

The functions of the LSA under the Act are to:

- monitor the operation of the LSS
- provide advice to the Minister about the administration, efficiency and effectiveness of the LSS
- provide support and funding for programs that will provide high-quality services to participants in the LSS, and research and education in connection with services provided to participants in the LSS
- disseminate information about the LSS
- keep the LSS Rules under review
- be responsible for the LSS Fund.

2 Significant accounting policies

2.1 Statement of compliance

The LSA has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

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

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the LSA for the period ending 30 June 2017. Refer to note 3.

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

2.2 Basis of Preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the LSA's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the Accounting Policy Statements require the following note disclosures, which have been included in this financial report:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature
 - (b) expenses incurred as a result of engaging consultants
 - (c) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than direct out-of-pocket reimbursement
 - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

The LSA's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with 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.

2.3 Reporting entity

The LSA does not control any other entity and has no interest in unconsolidated structured entities.

2.4 Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or Accounting Policy Statements have required a change.

2.5 Rounding

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

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

2.6 Taxation

The LSA is liable for Payroll Tax, Fringe Benefits Tax and Goods and Services Tax (GST). A nil tax rate is currently approved by the Treasurer for the calculation of income tax equivalent payments to the South Australian Government, consistent with the establishment of LSS Fund levy to be on a break-even basis.

The Department of Treasury and Finance (DTF) prepares the Business Activity Statement on behalf of the LSA under the grouping provisions of the GST legislation. Under these provisions, DTF is liable for the payments and entitled to the receipt of GST. As such, GST applicable to the LSA forms part of the financial statements of DTF.

2.7 Expenses

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

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

The following are specific recognition criteria:

Participant treatment, care and support expenses

People very seriously injured in motor vehicle accidents from 1 July 2014 are accepted as participants of the LSS under the eligibility criteria provided in the LSS Rules. Participant treatment, care and support expenses relate to the necessary and reasonable benefits provided to participants, related to the motor vehicle injury and in line with criteria detailed in the LSS Rules, from date of acceptance into the LSS. Costs are recognised in the reporting period in which they are incurred, via the movement in the provision for Participant treatment, care and support or when the service has been provided.

Duty on LSS Fund levy

The Duty on LSS Fund levy is a duty payable to the South Australian Government equivalent to 11% of net LSS Fund levies collected by the LSA. The duty is payable on the levies collected monthly in arrears. Refer to note 2.8 for further details of the LSS Fund levy.

Reinsurance

LSA had in place reinsurance programs throughout the reporting period to limit the LSA's liability exposure for Participant treatment, care and support expenses according to the deductible and terms of the treaties. All panel reinsurers are contractually required to have a minimum security Standard and Poor's rating of "A-", which is monitored by the LSA's reinsurance broker. Premiums paid to reinsurers are recognised as an expense in accordance with the pattern of reinsurance received.

Service delivery and corporate expenses

Service delivery and corporate expenses generally represent day-to-day running costs incurred in the normal operations of the LSA. These items are recognised as an expense in the reporting period in which they are incurred.

Research, Education and Programs

The LSA provides support and funding for research and education in connection with services provided to participants in the LSS pursuant to section 16(c) of the Act.

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

2.7 Expenses (continued)

Managed client

Under section 55 of the Act, the LSA has entered into agreements with prescribed authorities to provide case management and arrange treatment, care and support for their seriously injured workers (on a case by case basis).

Treatment, care and support expenses related to a managed client are reimbursed and disclosed in "Other revenues" in the Statement of Comprehensive Income as well as fees received for case management services, charged on a cost recovery basis.

2.8 Income

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

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

The following are specific recognition criteria:

Revenues from LSS Fund levy

Revenue from LSS Fund levy is the LSS Fund levy collected by the LSA.

Pursuant to section 44 of the Act, the LSS is funded by a levy applied to motor vehicle registration under the *Motor Vehicles Act 1959*. The levy is collected by the Registrar of Motor Vehicles on behalf of the LSA, and recognised as revenue by the LSA when it is received by the Registrar. The levy is exempt from GST under the operation of Division 81 of *A New Tax System (Goods and Services Tax) Act 1999*.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value presented as investment revenue in the Statement of Comprehensive Income.

2.9 Current and non-current classification

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

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

2.10 Assets

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

Receivables

Receivables include accrued revenue related to the LSS Levy, prepayments and reinsurance recoveries.

The LSS Fund levy is received by the LSA two days in arrears of collection by the Registrar of Motor Vehicles. The receivable represents the amount collected by the Registrar to 30 June 2017 but not yet received by the LSA.

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

2.10 Assets (continued)

Reinsurance recoveries are assessed on at least an annual basis. A receivable is recorded where the estimated participant treatment, care and support costs exceed the deductible in line with the terms of the relevant insurance contract(s) and is measured as the present value of the expected future cash flows.

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

Acquisition and recognition

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

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

All non-current tangible assets with a value equal to or in excess of \$10 000 are capitalised.

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.

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

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

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

Class of asset	Useful Life (Years)
Leasehold Improvements	Term of Lease
Internally Developed Software	5 Years

Financial assets at fair value

The LSA's financial assets consist of investments managed by Funds SA, the South Australian Government owned corporation which invests and manages funds of approved authorities. The LSA invests in Funds SA's untaxed funds.

Property, plant and equipment

Property, plant and equipment is stated at cost net of accumulated depreciation/amortisation and accumulated impairment losses, deemed to be fair value. Refer also to the section *Fair value measurement* below. The capitalisation threshold is \$10 000. Items of equipment purchased for participant treatment, care and support are expensed as incurred.

Intangible assets

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

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

2.10 Assets (continued)

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

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

Impairment

The LSA holds its property, plant and equipment and intangible assets for their service potential (value in use).

All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any cost of disposal will be negligible, accordingly the recoverable amount will be close to or greater than fair value.

The LSA also expects for all other non-current tangible assets that any costs of disposal will be negligible, and the recoverable amount to be close to or greater than fair value.

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

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

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

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.

2.11 Liabilities

Employee Benefits

These are liabilities for benefits accruing to employees as a result of services provided up to the reporting date that remain unpaid. Short-term employee benefits are measured at nominal amount and long-term employee benefits are measured at present value.

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

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

The annual leave liability and the skills and experience retention leave liability is expected to be payable within twelve months and is measured at the nominal amount expected to be paid.

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

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

2.11 Liabilities (continued)

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

It is based on actuarial assumptions including expected future salary and wage levels, experience of employee departures and periods of service. These assumptions and the split between current and non-current are based on employee data from the DTF. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match as closely as possible to the estimated future cash outflows.

Provisions

The LSA's provisions consist of liabilities for participant treatment, care and support expenses, valued by the LSS Actuary, Finity Consulting Pty Ltd, as at the end of the financial year.

The LSA's provisions are measured at the present value of the expected future payments for claims of the LSS incurred as at the date of valuation, including claims incurred but not yet reported, discounted for the time value of money, and take account of the risks specific to the liability. Refer to note 20 for disclosures about the measurement of the provision.

2.12 Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating commitments arising from contractual or statutory sources and are disclosed at their nominal value. Refer to note 21.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Refer to note 22.

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

3 New and revised accounting standards and policies

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the LSA for the period ending 30 June 2017. The LSA has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the LSA.

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

4 Participant treatment, care and support expenses

	2017	2016
	\$'000	\$'000
Hospital	6 026	5 288
Rehabilitation	1 265	494
Equipment	655	508
Attendant care	2 064	792
Home and vehicle modifications	284	276
Medical treatment services	294	98
Other	184	174
	10 772	7 630
Movement in provision for participants' treatment, care and support (refer note 20)	102 774	110 192
Total participant treatment care and support	113 546	117 822

5 Employee benefits expenses

	2017	2016
	\$'000	\$'000
Salaries and wages	2 045	1 558
Board and committee fees	357	362
Employment on-costs - superannuation	270	229
Employment on-costs - payroll tax	147	119
Long service leave	80	125
Annual leave	221	146
Skills and experience retention leave	1	2
Other employee related expenses	16	21
Total employee benefits expenses	3 137	2 562

Remuneration of employees

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

	2017	2016
	Number	Number
\$157 001 - \$167 000	1	-
\$167 001 - \$177 000	1	-
\$247 001 - \$257 000	1	-
\$297 001 - \$307 000	-	1
Total	3	1

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration reflects all costs of employment including salaries and wages, payment in lieu of leave, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The employees reflected in the table are executive staff and total remuneration received for the year was \$587 000 (2016: \$304 000).

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

6 Remuneration of board members

Members that were entitled to receive remuneration for membership during the 2016-17 financial year were:

LSA Board	Applications and Rules Committee
Ms Juliet Brown (Chair)	Ms Arabella Branson (Chair)
Ms Melinda OLeary	Mr Joseph Ullianich
Mr Joseph Ullianich	Mr George Potter*
Mr Kenneth Williams	Ms Chloe Fox*
Mr George Potter*	
Ms Arabella Branson	
Ms Chloe Fox*	

Audit Committee	Finance and Investment Committee
Mr Joseph Ullianich (Chair)	Mr Kenneth Williams (Chair)
Ms Juliet Brown	Ms Juliet Brown
Mr Kenneth Williams	Ms Melinda OLeary
Mr George Potter*	

There were no changes to members.

	2017	2016
	Number of	Number of
	members	members
The number of members whose remuneration received/receivable falls within the following bands:		
\$40 000 - \$49 999	2	2
\$50 000 - \$59 999	4	4
\$90 000 - \$99 999	1	1
Total number of members	7	7

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

6 Remuneration of board members (continued)

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, fringe benefits tax and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$397 000 (2016: \$401 000).

Amounts paid to a superannuation plan for board/committee members was \$36 000 (2016: \$35 000).

* In accordance with the Department of the Premier and Cabinet Circular No. 016, the LSA received an exemption for the remuneration of Government employees for board/committee duties during the financial year.

7 Service delivery and corporate expenses

	2017 \$'000	2016 \$'000
Professional fees	45	56
Information technology	523	370
Training and development	75	81
General administration and consumables	108	78
Accommodation and telecommunication	180	180
Consultants	81	62
Contractors and other outsourced services	391	292
Minor works maintenance and equipment	32	16
Service level agreement fees	279	273
Other expenses	199	132
Total service delivery and corporate expenses	1 913	1 540

The number and dollar amount of consultancies paid/payable (included in Service delivery and corporate expenses) that fell within the following bands:

	2017 Number	2016 Number	2017 \$'000	2016 \$'000
Below \$10 000	2	1	10	4
Above \$10 000	3	2	71	58
Total paid or payable to consultants engaged	5	3	81	62

8 Auditor's remuneration

	2017 \$'000	2016 \$'000
Audit fees paid or payable to the Auditor-General's Department	38	37
Total auditor's remuneration	38	37

Other services

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

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of Service delivery and corporate expenses (refer to note 7).

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

9 Amortisation

	2017	2016
	\$'000	\$'000
Internally developed software	82	48
Leasehold improvements	97	74
Total amortisation expense	179	122

10 Investment revenues

	2017	2016
	\$'000	\$'000
Interest income	26	34
Net gain on financial asset designated at fair value through profit or loss	32 810	9 508
Total investment revenues	32 836	9 542

11 Other revenues

	2017	2016
	\$'000	\$'000
Managed client	449	57
Reinsurance recoveries	22 475	809
Total other revenues	22 924	866

12 Cash and cash equivalents

	2017	2016
	\$'000	\$'000
LSA Operating Account	1 126	-
Deposits with the Treasurer	-	937
Total cash and cash equivalents	1 126	937

Interest rate risk

Deposits with the Treasurer are interest bearing and earn a variable interest rate. The carrying amount of cash and cash equivalents represents fair value.

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

13 Receivables

	2017	2016
	\$'000	\$'000
Current		
Accrued revenue	2 068	1 348
GST input tax recoverable	30	-
Prepayments	-	815
Total current receivables	2 098	2 163
Non-current		
Reinsurance recoveries	23 285	809
Total non-current receivables	23 285	809
Total receivables	25 383	2 972

Interest rate and credit risk

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

It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Maturity Analysis of Receivables — refer to note 26.

Categorisation of financial instruments and risk exposure information — refer to note 26.

14 Financial assets at fair value

	2017	2016
	\$'000	\$'000
Funds SA LSA Strategy	441 053	-
Funds SA Untaxed Moderate Fund	-	292 943
Total financial assets at fair value	441 053	292 943

Categorisation of financial instruments and risk exposure information — refer to note 26.

15 Property, plant and equipment

	2017	2016
	\$'000	\$'000
Leasehold improvements	732	147
Accumulated amortisation	(220)	(123)
Total leasehold improvements	512	24
Total property, plant and equipment	512	24

There were no indications of impairment of property, plant and equipment at 30 June 2017.

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

15 Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2016-17:

2017	Leasehold improvements \$'000	Total \$'000
Carrying amount at the beginning of the year	24	24
Additions	585	585
Amortisation expense	(97)	(97)
Carrying amount at the end of the year	512	512

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

2016	Leasehold improvements \$'000	Total \$'000
Carrying amount at the beginning of the year	98	98
Amortisation expense	(74)	(74)
Carrying amount at the end of the year	24	24

16 Intangible assets

	2017 \$'000	2016 \$'000
Internally developed software	363	411
Accumulated amortisation	(82)	(48)
Total intangible assets	281	363

Reconciliation of intangible assets

The following table shows the movement of intangible assets during 2016-17:

2017	Internally developed software \$'000	Total \$'000
Carrying amount at the beginning of the year	363	363
Amortisation expense	(82)	(82)
Carrying amount at the end of the year	281	281

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

16 Intangible assets (continued)

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

2016	Internally developed software \$'000	Work in progress \$'000	Total \$'000
Carrying amount at the beginning of the year	-	311	311
Additions	-	100	100
Capital work in progress transfers	411	(411)	-
Amortisation expense	(48)	-	(48)
Carrying amount at the end of the year	363	-	363

The internally developed computer software relates to the LSA's participant management system (SALSA) with an estimated useful life of 5 years.

There were no indications of impairment for Intangible assets as at 30 June 2017.

17 Fair value measurement (non-financial assets)

Fair value hierarchy

All non-financial assets are classified as Level 3 for fair value measurement, using significant unobservable inputs. The following is a reconciliation of movements:

	2017 \$'000	2016 \$'000
Leasehold improvements		
Carrying amount at the beginning of the year	24	98
Additions	585	-
Amortisation expense	(97)	(74)
Total leasehold improvements	512	24

18 Payables

	2017 \$'000	2016 \$'000
Current		
Accrued expenses	4 983	3 702
Employment on-costs	45	36
Total current payables	5 028	3 738
Non-current		
Employment on-costs	37	29
Total non-current payables	37	29
Total payables	5 065	3 767

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave remains unchanged from the 2016 rate (40%) and the average factor for the calculation of employer superannuation cost on-cost has changed from the 2016 rate (10.2%) to 10.1%. These rates are used in the

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

18 Payables (continued)

employment on-cost calculation. The net financial effect of the change in the current financial year on employment on-cost and employee benefit expenses is immaterial.

Interest rate and credit risk

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

Maturity Analysis of Payables — refer to note 26.

Categorisation of financial instruments and risk exposure information — refer to note 26.

19 Employee benefits

	2017 \$'000	2016 \$'000
Current		
Accrued salaries and wages	71	49
Annual leave	229	161
Long service leave	6	12
Skills and experience retention leave	4	5
Total current employee benefits	310	227
Non-current		
Long service leave	404	317
Total non-current employee benefits	404	317
Total employee benefits	714	544

The actuarial assessment performed by the Department of Treasury and Finance provides a basis for the measurement of long service leave liability. AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate for long service leave cash flows. This yield on long-term Commonwealth Government bonds increased from 2016 (2%) to 2017 (2.5%).

The increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The net financial effect of the changes in the current financial year is a decrease in the long service leave liability of \$20 000. The impact on future periods is impracticable to estimate as the long service liability is calculated using a number of assumptions – a key assumption is the long-term discount rate.

The actuarial assessment left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

20 Provisions

Provision for participant treatment, care and support services

The liability for participant treatment, care and support is measured as the present value of the expected future payments. The present values after discounting are as follows:

	2017 \$'000	2016 \$'000
Current		
Provision for participant treatment, care and support	23 373	8 559
Total current provision	23 373	8 559
Non-current		
Provision for participant treatment, care and support	282 378	194 418
Total non-current provision	282 378	194 418
Total provisions	305 751	202 977
	2017 \$'000	2016 \$'000
Not later than one year	23 373	8 559
Later than one year but not later than five years	55 456	37 846
Later than five years but not later than ten years	51 875	34 587
Later than ten years	175 047	121 985
Total	305 751	202 977

Movement in Provisions

Movements in the provision for participant care and support during the financial year are set out below.

	2017 \$'000	2016 \$'000
Carrying amount at the beginning of the year	202 977	92 785
Additions	102 774	110 192
Carrying amount at the end of the year	305 751	202 977

Sensitivity analysis for the valuation as at 30 June 2017

The liability represents the best estimate and is based on standard actuarial assessment. The table below shows sensitivities to some of the key actuarial assumptions used in the valuation. Significant uncertainty exists in the estimate due to the long-term nature of the liability, and the ultimate liability is subject to the outcomes of events yet to occur. These include, but are not limited to, factors such as the improvement in the injury severity of participants, mortality assumptions and levels of future treatment, care and support provided to participants.

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

20 Provisions (continued)

	30 June 2017 Liability \$m	Effect on Liability \$m	Percentage Effect %
Central estimate of provisions	305.8		
Different long term gap assumptions			
a. One per cent per annum lower for all future years	352.7	47.0	15%
b. One per cent per annum higher for all future years	258.3	-47.5	-16%
Mortality assumptions			
a. One percent per annum increase in mortality improvement	316.4	10.6	3%
b. One percent per annum decrease in mortality improvement	281.9	-23.9	-8%
Other assumptions			
a. All participants with a brain injury decrease by 1 score on the CANS scale	239.3	-66.5	-22%
b. Long term attendant care rate (in 2016/17 dollars) is 10% higher (increased to \$59 per hour)	321.4	15.7	5%

Actuarial assumptions and methods

In determining the liability each participant is valued on an individual level based on their injury, age and expected future care needs. The following assumptions were used in determining the liability:

	2017 Years	2016 Years
Weighted mean term		
Uninflated, undiscounted	20.9	22.0
Inflated, discounted	16.3	17.2
	2017 %	2016 %
Equivalent single rate (all future years)		
Inflation rate	4.25%	4.25%
Investment return rate	6.25%	6.25%

Definitions

Inflated mean term

The inflated mean term represents the dollar weighted average period to payment of claims and is unaffected by discounting. It provides an indication of the timeframe over which the LSA must manage and control the cost of these claims.

Discounted mean term

The discounted mean term is based on the inflated and discounted cash flows weighted by the period to payment.

Inflation

Wage inflation is adopted as the base for the inflation of projected future payments and is set by reference to long term economic indicators. Inflation is with reference to wage inflation (a key driver of attendant care costs and rehabilitation type services). A wages growth rate of 3.5% p.a. has been adopted.

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

20 Provisions (continued)

Inflation also includes an allowance for superimposed inflation (i.e. the growth in claims cost not explained by underlying inflation or other factors). This includes an allowance for:

- medical inflation costs to grow faster than underlying inflation (0.75% p.a. for all services plus an additional 0.5%p.a. for medical services for participants with a brain injury)
- attendant care costs to grow faster than underlying inflation (market supply and demand for services) by 0.75%p.a.

Discount rates

The adopted discount rate reflects the expected long term return for the LSA's portfolio of assets.

21 Unrecognised contractual commitments

(a) Expenditure commitments

Expenditure commitments include contracts for services such as reinsurance and actuarial services.

Commitments in existence at the reporting date but not recognised as liabilities are payable as follows:

	2017	2016
	\$'000	\$'000
No later than one year	5 450	3 787
Later than one year but not later than five years	4 881	88
Total other commitments	10 331	3 875

(b) Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2017	2016
	\$'000	\$'000
No later than one year	10	20
Total operating lease commitments	10	20

At the reporting date, the LSA has an operating lease for office accommodation.

Office accommodation is leased from the Department of Planning, Transport and Infrastructure. Rental is payable in arrears.

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

22 Contingent assets and liabilities

The LSA is not aware of any contingent assets or liabilities, and has not made any guarantees.

23 Related party transactions

Related parties of the LSA include all key management personnel and their close family members and all public authorities that are consolidated into the whole of government financial statements and other interests of the Government.

Key Management Personnel

Key management personnel of the LSA are the LSA Board, the Chief Executive Officer and other directors/members of the Executive Team who have responsibility for the strategic direction and management of the LSA.

	2017 \$'000
Compensation	
Short term benefits	935
Post-employment benefits	100
Total compensation	<u>1 035</u>

24 Cash flow reconciliation

	2017 \$'000	2016 \$'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	1 126	937
Balance as per the Statement of Cash Flows	<u>1 126</u>	<u>937</u>
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash provided by operating activities	116 030	116 580
Add non-cash items:		
Amortisation expense	(179)	(122)
Unrealised gain/(loss) on financial assets	32 810	9 508
Movements in assets and liabilities:		
Increase / (decrease) in receivables	22 411	1 294
(Increase) / decrease in payables	(1 254)	(1 851)
(Increase) / decrease in employee benefits	(170)	(192)
(Increase) / decrease in provisions	(102 774)	(110 192)
Net result from operating activities	<u>66 874</u>	<u>15 025</u>

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

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	
		2017	2016	2017	2016	2017	2016
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses							
Participant treatment care and support expenses	4	13 961	7 794	99 585	110 028	113 546	117 822
Duty on LSS Fund levy		14 755	14 377	-	-	14 755	14 377
Reinsurance		-	-	3 221	3 390	3 221	3 390
Employee benefits expenses	5	157	146	2 980	2 416	3 137	2 562
Service delivery and corporate expenses	7						
Professional fees		-	-	45	56	45	56
Information technology		-	-	523	370	523	370
Training and development		-	-	75	81	75	81
General administration and consumables		-	-	108	295	108	295
Accommodation and telecommunication		162	164	18	16	180	180
Consultants		-	-	81	15	81	15
Contractors and other outsourced services		-	-	391	56	391	56
Minor works maintenance and equipment		-	-	32	16	32	16
Service level agreement fees		279	273	-	-	279	273
Other		-	-	199	198	199	198
Research education programs		-	-	581	595	581	595
Amortisation expense	9	-	-	179	122	179	122
Service agreement for case management		-	-	442	55	442	55
Total expenses		29 314	22 754	108 460	117 709	137 774	140 463
Income							
Revenues from LSS Fund levy		-	-	148 888	145 080	148 888	145 080
Investment revenues	10	32 836	9 542	-	-	32 836	9 542
Other revenue		449	-	22 475	866	22 924	866
Total income		33 285	9 542	171 363	145 946	204 648	155 488

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

25 Transactions with SA Government (continued)

		SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Receivables	13	311	-	25 072	2 972	25 383	2 972
Financial assets at fair value	14	441 053	292 943	-	-	441 053	292 943
Total financial assets		441 364	292 943	25 072	2 972	466 436	295 915
Financial liabilities							
Payables	18	4 774	3 252	291	515	5 065	3 767
Employee benefits	19	-	-	714	544	714	544
Provisions	20	23 500	11 900	282 251	191 077	305 751	202 977
Total financial liabilities		28 274	15 152	283 256	192 136	311 530	207 288

26 Financial instruments/financial risk management

The LSA's principal financial instruments are outlined below. These financial instruments arise directly from the LSA's operations or are required to finance the LSA's operations. The LSA does not enter into or trade financial instruments, including derivative instruments, for speculative purposes.

The LSA's main risks arising from financial instruments are outlined below, together with its objectives, policies and processes for measuring and managing risk.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and has approved policies for managing each of these risks. The LSA's *Investment Policy Statement* describes the governance framework within which the LSA's investments are managed and monitored.

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

Refer table 26.2 for the carrying amounts of each of the categories of financial assets and liabilities.

Fair value measurement

AASB 7 *Financial Instrument: Disclosures* requires disclosure of fair value measurement by level of the following fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset either directly (as prices) or indirectly (derived from prices)

Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

26 Financial instruments/financial risk management (continued)

The table below presents LSA's financial assets, consisting of investments managed by Funds SA, and measured and recognised at fair value.

Table 26.1 LSA Categories of Fair Value Measurement

	Level 1	Level 2	Level 3	Total
Financial assets at fair value 30 June 2017	\$'000	\$'000	\$'000	\$'000
Funds SA LSA Strategy	-	441 053	-	441 053

	Level 1	Level 2	Level 3	Total
Financial assets at fair value 30 June 2016	\$'000	\$'000	\$'000	\$'000
Funds SA Untaxed Moderate Fund	-	292 943	-	292 943

Credit risk

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

The LSA has no concentration of credit risk. The LSA does not engage in high risk hedging for its financial assets.

The LSA has no financial assets past due.

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

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

26 Financial instruments/financial risk management (continued)

Table 26.2: Categorisation and maturity analysis of financial assets and liabilities

			2017 Contractual maturities			
Category of financial asset and financial liability	Note	2017 Carrying amount / fair value	Current	Within 1 year	1-5 years	More than 5 years
		\$'000		\$'000	\$'000	\$'000
Financial assets						
Cash and cash equivalents	12	1 126	1 126	-	-	-
Receivables ⁽¹⁾⁽²⁾	13	23 595	310	-	23 185	100
Financial assets at fair value ⁽³⁾	14	441 053	441 053	-	-	-
Total financial assets		465 774	442 489	-	23,185	100
Financial liabilities						
Payables ⁽¹⁾	18	3 165	3 165	-	-	-
Total financial liabilities		3 165	3 165	-	-	-

			2016 Contractual maturities			
Category of financial asset and financial liability	Note	2016 Carrying amount / fair value	Current	Within 1 year	1-5 years	More than 5 years
		\$'000		\$'000	\$'000	\$'000
Financial assets						
Cash and cash equivalents	12	937	937	-	-	-
Receivables ⁽¹⁾⁽²⁾	13	866	57	-	-	809
Financial assets at fair value ⁽³⁾	14	292 943	292 943	-	-	-
Total financial assets		294 746	293 937	-	-	809
Financial liabilities						
Payables ⁽¹⁾	18	2 485	2 485	-	-	-
Total financial liabilities		2 485	2 485	-	-	-

⁽¹⁾ Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

⁽²⁾ Receivable amount disclosed here excludes prepayments. Prepayments are presented in note 13 as trade and other receivables in accordance with paragraph 78(b) of AASB 101 *Presentation of Financial Statements*. However, prepayments are not financial assets as defined by AASB 132 *Financial Instruments: Presentation* as the future economic benefits of these assets is the receipt of goods and services rather than right to receive cash or another financial asset.

⁽³⁾ The LSA invests in Funds SA's untaxed funds. The intention is to hold the investments on a long term basis, however, investments are available for a withdrawal at call.

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

26 Financial instruments/financial risk management (continued)

Liquidity risk

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

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

The carrying amount of financial liabilities recorded in table 26.2 represent the LSA's maximum exposure to financial liabilities.

Market risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The LSA's exposures to market risk are primarily associated with movement in the unit price of the investments with Funds SA. The LSA does not have direct exposure to foreign currency risk and its direct exposure to interest rate risk is insignificant based on a current assessment of risk.

The LSA does not trade in foreign currency, enter into transactions for speculative purposes, nor for hedging. The LSA does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the Government's risk management strategy articulated in Treasurer's Instruction 23 *Management of Foreign Currency Exposures*.

Sensitivity disclosure analysis

A sensitivity analysis for a movement in the unit price of the investments with Funds SA is provided in the table below. The sensitivity analysis uses historically based volatility information collected over a 10 year period, quoted at two standard deviations (i.e. 95% probability). A reasonably possible change is based on the percentage change in unit price multiplied by the redemption value as at 30 June 2017.

	Change in Unit Price		Impact on profit and loss		Impact on equity	
	2017 %	2016 %	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Funds SA Investment	27.9	20.3	123 054	59 467	123 054	59 467
	-10.9	-6.8	(48 075)	(19 920)	(48 075)	(19 920)

Capital Management

To provide for a financially responsible and sustainable LSS over the long term, the LSA aims to maintain an appropriate capital balance to act as a buffer against uncertainties in the value of outstanding claims liabilities and investment returns. Detailed financial modelling suggests that the LSS's funding position will be at its most vulnerable to these uncertainties in the earlier years of the LSS.

The LSA has adopted for the LSS a minimum probability of sufficiency of 70% (the chance that the capital of the LSS is expected to be adequate to cover actual outcomes) through a solvency margin in excess of actuarial provisions. As at 30 June 2017, the probability of sufficiency for the LSS was 78%.

The Board continually reviews the LSA's funding position, and assesses the policy on an annual basis to ensure it remains appropriate.

27 Events after the reporting period

No circumstance has arisen that has affected or may significantly affect the LSA's operations since 30 June 2017.

Lifetime Support Authority of South Australia
Statement of Certification
for the year ended 30 June 2017

We certify that the:

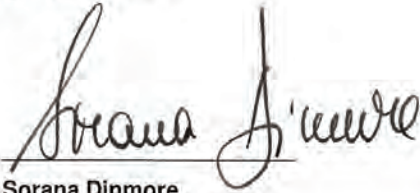
- financial statements of the Lifetime Support Authority of South Australia (LSA):
 - are in accordance with the accounts and records of the LSA
 - comply with relevant Treasurer's Instructions
 - comply with relevant accounting standards
 - present a true and fair view of the financial position of the LSA at the end of the financial year and the results of its operations and cash flows for the financial year.
- internal controls employed by the LSA over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Tamara Tomic

Chief Executive

13 September 2017



Sorana Dinmore

Director, Corporate

13 September 2017



Juliet Brown

Chair

13 September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chair of the Board Lifetime Support Authority of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 21(2) of the *Motor Vehicle Accident (Lifetime Support Scheme) Act 2013*, I have audited the financial report of the Lifetime Support Authority of South Australia for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Lifetime Support Authority of South Australia as at 30 June 2017, 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.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair, the Chief Executive and the Director Corporate.

Significant inherent uncertainty – provision for participants' treatment, care and support services

Without qualification to the opinion expressed above, attention is drawn to notes 2.11 and 20 of the financial report. There is significant inherent uncertainty surrounding the estimate of the provision for participants' treatment, care and support services because of the long-term nature of the provision and limited participants' experience to date. This uncertainty will remain until sufficient participants' experience is available.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Lifetime Support Authority of South Australia. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Conduct for Professional Accountants have been met.

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

Responsibilities of the Chief Executive and members of the Board 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 the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The members of the Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

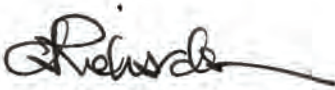
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

14 September 2017

Local Government Finance
Authority of South Australia

Financial report
for the year ended
30 June 2017

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

STATEMENT OF COMPREHENSIVE INCOME **For the year ended 30 June 2017**

	Note	2017 \$'000	2016 \$'000
INCOME			
Interest on Investments	2(c)	1,343	1,233
Interest on Loans and Advances	2(c)	39,669	44,276
Other Income	2(f),2(h),2(j),3	156	422
TOTAL INCOME		41,168	45,931
EXPENSES			
Interest on Deposits from Councils and Local Government Bodies	2(d)	8,453	9,994
Interest on Borrowings	2(d)	23,975	26,365
Fees for the Guarantee of the Treasurer of S.A. on Liabilities	24	1,207	1,214
Administration Expenses	4	2,064	1,971
Other Expenses	2(f),5	319	160
TOTAL EXPENSES		36,018	39,704
PROFIT BEFORE INCOME TAX EQUIVALENTS		5,150	6,227
Income Tax Equivalent Expense	2(e)	1,545	1,868
PROFIT AFTER INCOME TAX EQUIVALENTS		3,605	4,359
TOTAL COMPREHENSIVE RESULT		3,605	4,359

The profit after income tax equivalents and comprehensive result are attributable to the owners.

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

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

STATEMENT OF FINANCIAL POSITION **As at 30 June 2017**

	Note	2017 \$'000	2016 \$'000
ASSETS			
Cash and Liquid Assets	6	54	60
Accrued Interest Receivable	7	3,437	3,530
Investment Securities	2(f),8	28,000	41,318
Other Assets	9	235	141
Net Loans and Advances	2(g),10	676,130	680,217
Property, Plant & Equipment	2(k),11	1,974	2,060
TOTAL ASSETS		709,830	727,326
LIABILITIES			
Deposits from Councils and Local Government Bodies	2(l),12	462,145	383,912
Accrued Interest Payable	13	2,306	2,589
Borrowings	14	150,674	228,378
Derivatives	2(i),2(j),15	27,120	46,123
Provisions	2(m),16	3,030	3,404
Other Liabilities	17	282	252
TOTAL LIABILITIES		645,557	664,658
NET ASSETS		64,273	62,668
EQUITY			
General Reserve	2(n)	63,600	62,000
Retained Profits		673	668
TOTAL EQUITY		64,273	62,668

The equity is attributable to the owners.

Contingent Assets and Liabilities 22

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

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

STATEMENT OF CHANGES IN EQUITY **For the year ended 30 June 2017**

	General Reserve \$'000	Retained Profits \$'000	Total \$'000
Balance at 30 June 2015	59,800	509	60,309
Profit After Income Tax Equivalents for 2015/16	-	4,359	4,359
Total Comprehensive Result for 2015/16	-	4,359	4,359
Transfer to Bonus Payment Provision	-	(2,000)	(2,000)
Transfer to General Reserve	2,200	(2,200)	-
Balance at 30 June 2016	62,000	668	62,668
Profit After Income Tax Equivalents for 2016/17	-	3,605	3,605
Total Comprehensive Result for 2016/17	-	3,605	3,605
Transfer to Bonus Payment Provision	-	(2,000)	(2,000)
Transfer to General Reserve	1,600	(1,600)	-
Balance at 30 June 2017	63,600	673	64,273

All changes in equity are attributable to the owners.

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

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

STATEMENT OF CASH FLOWS **For the year ended 30 June 2017**

	Note	2017 \$'000 Inflows (Outflows)	2016 \$'000 Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and Bill Discounts Received		41,298	45,518
Interest Paid		(32,784)	(36,319)
Fees Paid re Guarantee provided by Treasurer of S.A.		(1,205)	(1,224)
Cash Payments to Suppliers and Employees		(1,863)	(1,772)
Fees Received		67	74
Income Tax Equivalents Paid		(1,958)	(1,763)
NET CASH PROVIDED BY OPERATING ACTIVITIES	19(c)	<u>3,555</u>	<u>4,514</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans to Councils and Local Government Bodies		(15,463)	25,792
Investment Securities		13,396	10,000
Payments for Property, Plant & Equipment		(107)	(116)
Proceeds from Sale of Property, Plant & Equipment		33	1
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		<u>(2,141)</u>	<u>35,677</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Promissory Notes		(1,485)	(1,525)
Deposits from Councils and Local Government Bodies		78,234	(56,949)
Short Term Money Market Facilities		(76,219)	(5,401)
Fixed Term Borrowings		-	25,000
Bonus Payment to Councils and Local Government Bodies		(2,000)	(2,000)
Other		50	718
NET CASH USED IN FINANCING ACTIVITIES		<u>(1,420)</u>	<u>(40,157)</u>
NET INCREASE/(DECREASE) IN CASH HELD		(6)	34
Cash at 1 July		60	26
CASH AT 30 JUNE	19(a)	<u>54</u>	<u>60</u>

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

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2017

1 - Objectives of the Local Government Finance Authority of South Australia

The Local Government Finance Authority of South Australia (the Authority) is a Public Authority and was established pursuant to the Local Government Finance Authority Act, 1983. The functions of the Authority are as follows:

- a) to develop and implement borrowing and investment programmes for the benefit of councils and prescribed local government bodies; and
- b) to engage in such other financial activities as are determined by the Minister, after consultation with the Local Government Association, to be in the interests of local government.

2 - Statement of Accounting Policies

a) Basis of Accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable Australian Accounting Standards and the requirements of the Treasurer's Instructions relating to financial reporting by statutory authorities, which are issued pursuant to the Public Finance and Audit Act 1987.

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

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

b) Classification of Financial Instruments

Management determines the classification of its investments at initial recognition and at each reporting date in accordance with AASB 139 Financial Instruments: Recognition and Measurement. The Authority classifies its investments into the following categories, which determines the applicable accounting treatment:

Loans and receivables – measured at amortised cost. The Authority classifies Loans and Advances, Accrued Interest Receivable, Cash and Liquid Assets and Other Assets under this category.

Held to maturity financial assets – measured at amortised cost. The Authority did not have any assets in this category at balance date.

Available-for-sale financial assets – measured at fair value with fair value changes taken to Equity and impairment losses and gains taken to the Statement of Comprehensive Income. The Authority classifies certain investment securities (Note 2(f) Refer) under this category, which are not held for trading but can be disposed of in an existing market if required.

Financial assets or financial liabilities at fair value through profit and loss - measured at fair value with fair value changes taken to the Statement of Comprehensive Income. The Authority classifies derivative instruments that are not classified as effective hedging instruments under this category (Note 2(i) Refer).

Fair Value Hedge – measured at fair value with hedge accounting adjustments taken to the Statement of Comprehensive Income. The Authority classifies derivatives which are effective hedging instruments (Note 2(i) Refer) and the corresponding hedged items (Note 2(h) Refer), which are all fixed rate debenture loans under this category.

Financial Liabilities at amortised cost – The Authority classifies all liabilities under this category, other than derivative instrument liabilities which are not classified as effective hedging instruments (Note 2(i) Refer).

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

c) Interest Income

Interest on Investments

This item includes interest income from investment assets which are classified as Loans and receivables, Available-for-sale financial assets and Financial assets at fair value through profit and loss. The interest income is calculated on an accruals basis.

Interest on Loans and Advances

This item includes interest income from loan assets classified as Loans and receivables as well as interest income from derivatives that are classified under the Fair Value Hedge category. The interest income is calculated on an accruals basis.

d) Interest Expense

Interest on Deposits from Councils and Local Government Bodies

This item includes interest paid to Councils and Local Government Bodies and is calculated on an accruals basis.

Interest on Borrowings

This item includes interest expense on other liabilities used in funding lending activity and interest expense on derivative instruments, and is calculated on an accruals basis.

e) Income Tax Equivalents

The Authority is required to make payments equivalent to Company Income Tax under the Taxation Equivalent Payment System. The equivalent Company Income Tax liability is calculated/applied on an accounting profits basis.

f) Investment Securities

Investment securities held by the Authority are mainly Australian bank term deposits which are categorised as Loans and Receivables and therefore accounted for at amortised cost.

Investments held by the Authority that are categorised as Available-for-sale financial assets are recorded at fair value in accordance with the provisions of AASB 139 Financial Instruments: Recognition and Measurement. Gains in relation to these investments which reverse impairment losses previously recognised in the Statement of Comprehensive Income are recognised as revenue to the extent that they reverse prior impairment losses. Similarly any further impairment losses incurred are recognised as an expense in the Statement of Comprehensive Income.

g) Loans and Advances

Loan agreements with Councils are secured by debentures which provide a charge over Council general revenue. Loans to Prescribed Local Government Bodies (totalling \$23.7 million as at 30/6/17) are predominantly to Council subsidiaries and rely upon the constitutional obligations of Councils in the guarantee of the liabilities incurred or assumed by subsidiaries as per Schedule 2 of the Local Government Act 1999.

Due to the high level of security provided by a debenture over the general revenue of Councils, no specific or general provision for doubtful debts has been made.

The Authority has not incurred any bad debts since its inception in 1984.

h) Hedge Accounting

Loans which are not effectively hedged by a derivative financial instrument are recorded in the accounts on the basis of historical cost. Loans which are effectively hedged by a derivative financial instrument are recorded using hedge accounting.

The Authority uses interest rate swaps to hedge the interest rate risk associated with long term fixed rate debenture loans to Councils and Prescribed bodies. Hedge Accounting is used where it has been determined that the hedge is highly effective and has been documented according to AASB 139 Financial Instruments: Recognition and Measurement.

The hedges used by the Authority are classified as Fair Value Hedges and the hedged items are all long term fixed rate debenture loans. The hedged amount of the loan is recorded at fair value with the non-interest rate risk component or credit margin recorded on an accrual accounting basis.

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

i) Derivative Transactions

The Authority has entered into agreements with high credit status organisations to swap certain rights and obligations (Note 23 Refer).

Interest Rate Swaps are categorised as Fair Value Hedges and Futures Contracts are categorised as financial assets or financial liabilities at fair value through profit and loss.

j) Revaluations

AASB13 Fair Value Measurement stipulates the method for revaluing financial instruments. A credit value adjustment (CVA) is required to be applied to financial instrument revaluations where the adjustment amount is considered to be material. The Authority utilises a portfolio of long dated, high dollar value interest rate swaps to manage interest rate risk. As this portfolio is currently revalued as a liability the resulting credit value adjustment required is a gain, known as a debit value adjustment (DVA), which is included in the fair value calculation.

k) Property, Plant & Equipment

Property, Plant & Equipment are brought to account at cost less, where applicable, any accumulated depreciation.

The depreciable amount of all property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives from the time the asset is held ready for use. The useful life of each category is as follows:-

Office Equipment	3 Years
Office Furniture	5 Years
Computer Software	2.5 Years to 3 Years
Motor Vehicles	5.5 Years to 10 Years
Building Floorspace	70 Years

l) Concentrations of Deposits

The Authority is an industry specific financial institution which operates under the Local Government Finance Authority Act, 1983. The Authority is restricted by legislation to accepting deposits from Councils and Local Government Bodies operating in South Australia.

m) Provisions

Employee Benefits

A provision is made in respect of the Authority's liability for annual leave and long service leave as at balance date. Long service leave is accrued for all employees from the date of commencement of service. The amount included in the accounts is the undiscounted amount expected to be paid.

No provision is made in the accounts for sick leave entitlements.

Bonus Payment

A provision is made for the annual bonus to clients which is based on their average account balances for loans and deposits during the financial year. This payment is made pursuant to Section 22(2)(b) of the Local Government Finance Authority Act 1983.

A reconciliation of movements in this provision is provided at Note 16(i).

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

Income Tax Equivalents

A provision is made for Tax Equivalents payable as at 30 June 2017 (Note 2(e) Refer).

A reconciliation of movements in this provision is provided at Note 16(ii).

n) General Reserve

The General Reserve has been accumulated from profits earned in previous years. The purpose of the reserve is to provide the Authority with a strong financial position and to safeguard against any future adverse conditions that may be encountered. Further profits are earned through the reinvestment of the reserve funds.

o) Accounting Judgements, Estimates and Assumptions

Significant accounting judgements

In the process of applying the Authority's accounting policies, management has made judgements in the classification of financial instruments which has had a significant effect on the amounts recognised in the financial statements. In particular, the classification of derivatives and long term fixed rate debenture loans as Fair Value Hedges has enabled management to utilise the hedge accounting provisions of AASB 139 Financial Instruments: Recognition and Measurement.

Significant accounting estimates and assumptions

The fair values of Available-for-sale financial assets, hedged long term fixed rate debenture loans and derivatives are based on observable market rates as at balance date and therefore, no significant estimates or assumptions are used in their calculation.

p) Comparative Information

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

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

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

q) Rounding

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

r) New and Revised Accounting Standards

Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Authority for the period ending 30 June 2017.

The Authority did not voluntarily change any of its accounting policies during 2016-17.

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

With regard to impending Accounting Standards, the Authority has assessed the impact of AASB 9 Financial Instruments and considers based on our initial assessment that there will be no material financial impact when it is due to be adopted in the financial year ending 30 June 2019. This will be reviewed further before the standard becomes effective.

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

	2017 \$'000	2016 \$'000
3 - Other Income		
Fair Value Hedge Accounting Gain	-	348
Fee Income	59	73
Impaired Available-for-Sale Assets Revaluation Gain	86	-
Gain on Sale of Fixed Assets	11	1
	<u>156</u>	<u>422</u>

4 - Administration Expenses

Audit Fees	108	74
Consultancy Fees	19	21
Depreciation	170	158
Occupancy Expenses	34	35
Salaries & On-Costs	1,121	1,129
Software License Fees	111	104
Sponsorships	94	88
Other Administration Expenses	407	362
	<u>2,064</u>	<u>1,971</u>

The amounts received, or due and receivable in respect of this financial year by the Auditors in connection with:

Auditing work performed by the Auditor-General's Department*	58	55
Financial Management Compliance Program by an external audit firm	50	19
	<u>108</u>	<u>74</u>

* Audit fees paid/payable to the Auditor-General's Department relating to work performed under the Public Finance and Audit Act 1987.

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

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

Below \$10,000	No. 1	2	No. 1	4
\$10,000 to \$50,000	1	17	1	17
	<u>1</u>	<u>19</u>	<u>1</u>	<u>21</u>

5 - Other Expenses

Fair Value Hedge Accounting Loss	319	-
Impaired Available-for-Sale Assets Revaluation Loss	-	160
	<u>319</u>	<u>160</u>

6 - Cash and Liquid Assets

Cash at Bank	<u>54</u>	<u>60</u>
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7 - Accrued Interest Receivable*

Interest Receivable - Loans to Councils and Local Government Bodies	2,774	2,721
Interest Receivable - Investment Securities	663	809
	<u>3,437</u>	<u>3,530</u>

* The accrued interest receivable on Investment Securities, Net Loans and Advances and Derivatives which are required to be recorded at fair value have been transferred to the respective line item.

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

	2017	2016
	\$'000	\$'000
8 - Investment Securities		
Deposits and Securities issued by Banks	28,000	42,000
Accrued Interest Receivable	-	8
Fair Value Loss on Impaired Available-for-Sale Assets*	-	(690)
	<u>28,000</u>	<u>41,318</u>
*The impairment loss relates to the market value of perpetual floating rate capital notes, which fluctuates with the quoted price on the Australian Stock Exchange. These assets were disposed of completely as at 30 June 2017.		
9 - Other Assets		
Sundry Debtors and Prepayments	<u>235</u>	<u>141</u>
10 - Net Loans and Advances		
Advances	178,317	195,538
Term Loans	<u>461,495</u>	<u>428,811</u>
Loans and Advances - at Cost	<u>639,812</u>	<u>624,349</u>
Fair Value Adjustment (Note 2(h) Refer)	<u>36,318</u>	<u>55,868</u>
Net Loans and Advances	<u>676,130</u>	<u>680,217</u>
Unrecognised Commitments - Loans and Advances		
Unused Cash Advance facilities	458,565	430,756
Term loans approved not advanced	<u>2,006</u>	<u>8,384</u>
	<u>460,571</u>	<u>439,140</u>
11 - Property, Plant & Equipment		
Plant, Equipment, and Motor Vehicles:		
- at cost	984	1,088
less, accumulated depreciation	<u>(701)</u>	<u>(745)</u>
Building Floorspace		
- at cost	1,799	1,799
less, accumulated depreciation	<u>(108)</u>	<u>(82)</u>
Total Property, Plant & Equipment	<u>1,974</u>	<u>2,060</u>
Reconciliation of Property, Plant & Equipment		
Carrying Amount at 1 July	2,060	2,102
Acquisitions	107	116
Disposals	<u>(23)</u>	<u>-</u>
Depreciation	<u>(170)</u>	<u>(158)</u>
Carrying Amount at 30 June	<u>1,974</u>	<u>2,060</u>
12 - Deposits from Councils and Local Government Bodies		
At Call	232,366	184,156
Fixed Term	<u>229,779</u>	<u>199,756</u>
	<u>462,145</u>	<u>383,912</u>
13 - Accrued Interest Payable		
Interest Payable on :		
- Deposits from Councils and Local Government Bodies	2,150	2,269
- Borrowings*	<u>156</u>	<u>320</u>
	<u>2,306</u>	<u>2,589</u>
* The accrued interest payable on interest rate swaps which are required to be recorded at fair value has been transferred to the Derivatives line item.		

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

	2017 \$'000	2016 \$'000
14 - Borrowings		
Short Term Money Market Facility	103,855	180,074
Fixed Term Borrowings	25,000	25,000
Promissory Notes	21,819	23,304
	<u>150,674</u>	<u>228,378</u>
15 - Derivatives		
Swap Principal Receivable	(7,492)	(7,607)
Interest Receivable - Interest Rate Swaps	(865)	(1,070)
Interest Payable - Interest Rate Swaps	3,807	3,880
Fair Value Adjustment	31,762	50,920
Interest Rate Swaps*	<u>27,212</u>	<u>46,123</u>
Futures Contracts	(92)	-
	<u>27,120</u>	<u>46,123</u>
* Interest rate swaps are shown as the net of the fixed rate leg and the floating rate leg.		
16 - Provisions		
Employee Benefits	399	360
Fringe Benefits Tax	20	20
Bonus Payment to Councils and Local Government Bodies	2,000	2,000
Provision for Income Tax Equivalents	611	1,024
	<u>3,030</u>	<u>3,404</u>
Movements of major provisions during the year		
(i) Bonus Payment to Councils and Local Government Bodies		
Opening Balance 1 July	2,000	2,000
Increase in Provision	2,000	2,000
Amounts Paid	(2,000)	(2,000)
Closing Balance 30 June	<u>2,000</u>	<u>2,000</u>
(ii) Provision for Income Tax Equivalents		
Opening Balance 1 July	1,024	919
Increase in Provision	1,545	1,868
Amounts Paid	(1,958)	(1,763)
Closing Balance 30 June	<u>611</u>	<u>1,024</u>
17 - Other Liabilities		
Employee On-costs	44	40
Sundry Creditors	238	212
	<u>282</u>	<u>252</u>
18 - Superannuation Commitments		

The Authority contributes to superannuation funds as chosen by individual employees. There is no liability for payments to beneficiaries as they have been assumed by the superannuation scheme. The only liability outstanding at reporting date relates to any contributions due but not yet paid.

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

19 - Notes to Statement of Cash Flows

(a) Reconciliation of Cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Note	2017 \$'000	2016 \$'000
Cash and Liquid Assets	6	54	60

(b) Cash Flows Presented on a Net Basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

- (i) Client Deposits and Withdrawals;
- (ii) Sales and Purchases of Money Market Securities;
- (iii) Drawdown and Repayment of Loans and Investments; and
- (iv) Fees Paid and Received

(c) Reconciliation of Net Cash Provided by/(Used in) Operating Activities to Profit after Income Tax Equivalents.

	2017 \$'000	2016 \$'000
PROFIT AFTER INCOME TAX EQUIVALENTS	3,605	4,359
Decrease/(Increase) in Interest Receivable	286	857
Decrease/(Increase) in Sundry Debtors	(28)	(5)
Increase/(Decrease) in Interest Payable	(356)	(795)
Increase/(Decrease) in Other Liabilities	30	(18)
Increase/(Decrease) in Provisions	(374)	148
Depreciation	170	158
Revaluation Loss/(Gain)	319	(349)
Impairment Loss/(Gain)	(86)	160
Loss/(Gain) on Disposal of Fixed Assets	(11)	(1)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,555	4,514

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

20 - Key Management Personnel

Key management personnel who have responsibility for the strategic direction and management of the the Authority include members of the Board and the Chief Executive Officer.

(a) Board members

Appointments to the Board are made pursuant to Section 7 of the Local Government Finance Authority Act, 1983.

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

Mr John Comrie (Chair)	LGA representative from 1 January 2017
Mr Anthony Pederick OAM (Chair)	LGA representative to 31 December 2016
Cr John Frogley (Deputy Chair)	Council representative
Mr Craig Fowler	Appointee of the Treasurer
Dr Andrew Johnson	LGA representative from 1 January 2017
Ms Annette Martin	Council representative from 1 January 2017
Ms Susan McCormick	Appointee of the Minister
Mr Matt Pinnegar	LGA Chief Executive Officer
Mr Raj Rajamani	LGA representative to 31 December 2016
Cr John Sanderson	Council representative to 31 December 2016

(b) Other key management personnel

The following person also held a position of authority and responsibility for planning, directing and controlling the activities of the Authority, directly or indirectly during the financial year:

Mr Paul Slater	Chief Executive Officer
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(c) Related party transactions

The Authority operates independently under its own legislation and has no other controlled entities.

Related parties of the Authority include all key management personnel and their close family members and any entity that is controlled or jointly controlled by those persons. Close family members are defined in AASB 124 to include children, spouse or partner, children of the spouse or partner and dependants of the key management personnel or the spouse or partner.

There are no transactions to disclose for key management personnel and related parties.

The Authority transacts with Councils, Prescribed Bodies and State Government Agencies of which Board members may be key management personnel on terms which are no more favourable than current market practice.

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

(d) Key management personnel remuneration

The compensation for key management personnel is set out below:

	2017 \$'000	2016 \$'000
Salaries and other short-term employee benefits	439	443
Post-employment benefits	42	41
	<u>481</u>	<u>484</u>

(e) Board members remuneration

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

	2017 No of board members	2016 No of board members
No Remuneration	2	3
\$1 - \$9,999	6	3
\$10,000 - \$19,999	2	1
\$20,000 - \$29,999	-	1
	<u>10</u>	<u>8</u>

The total remuneration received or receivable by those governing Board members was \$60,267 (\$58,000) which includes salary and superannuation. Note, these amounts are also disclosed in note 20(d) above.

In accordance with the Premier and Cabinet Circular No. 016, SA Government employees did not receive any remuneration for governing Board duties during the financial year. The amount payable in respect of the Chief Executive Officer of the Local Government Association of South Australia is paid to the Local Government Association of South Australia.

21 - Employee Remuneration

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

	2017	2016
\$190,000 - \$199,999	1	-
\$200,000 - \$209,999	-	1
\$420,000 - \$429,999	1	1

The table includes all employees who received remuneration equal to or greater than the Department of Treasury and Finance base executive remuneration level of \$147,000 (\$145,000) during the year.

Remuneration of employees reflects all costs of employment including salary, payments in lieu of leave, superannuation contributions, living away from home allowance, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by personnel in this table for the year was \$621,632 (\$628,476).

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

22 - Contingent Assets and Liabilities

The Authority incurs contingent assets and liabilities as part of its normal operations in providing borrowing and investment services to Local Government in South Australia as are contemplated by its enabling legislation.

(a) Contingent Assets

(i) Guarantee of the Treasurer of SA on Liabilities

Under Section 24 of the Local Government Finance Authority Act, 1983, all financial obligations incurred or assumed by the Authority are guaranteed by the Treasurer on behalf of the State of South Australia. As at 30 June 2017 the total liabilities guaranteed was \$645.557 million.

(ii) Debentures over Council Rate Revenue

Loan agreements with Councils are secured by debentures which provide a charge over Council general revenue. Loans to Prescribed Local Government Bodies (totalling \$23.7 million as at 30/6/17) are predominantly to Council subsidiaries and rely upon the constitutional obligations of Councils in the guarantee of the liabilities incurred or assumed by subsidiaries as per Schedule 2 of the Local Government Act 1999.

As at 30 June 2017 the total loans secured by debenture was \$639.812 million.

(b) Contingent Liabilities

(i) Financial Guarantee

The Authority has issued a financial guarantee on behalf of the Workers Compensation Scheme of the Local Government Association of South Australia in favour of the Return to Work Corporation of South Australia. The guarantee is fully secured against depositor funds held, the value of which will not be less than the value of any liability that might be incurred.

As at 30 June 2017 the amount guaranteed was \$31.670 million.

(ii) Performance Bond/Guarantees

(i) Northern Adelaide Waste Management Authority

The Authority has issued a performance bond/guarantee on behalf of the prescribed local government body, Northern Adelaide Waste Management Authority, a regional subsidiary of the City of Playford, Corporation of the Town of Gawler and City of Salisbury in favour of the Environment Protection Authority. As at 30 June 2017 the amount guaranteed was \$1.350 million.

Note: Pursuant to Schedule 2 of the Local Government Act 1999, liabilities incurred or assumed by a regional subsidiary are guaranteed by the constituent councils.

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

23 - Financial Risk Management

(a) Risk Management Policies and Procedures

The Treasurer issued a revised consent dated 28 October 2016, for the Authority to enter into a range of financial instruments as part of its normal operations of providing borrowing and investment services to Local Government in South Australia and for managing the associated risks.

All financial instrument transactions and internal control activities are conducted within a Board approved Risk Policy document. A Treasury Management System is in place which provides comprehensive accounting and reporting of financial instrument transactions which in turn allows for compliance with the Risk Policy to be monitored closely.

The risk management process is subject to regular and close senior management scrutiny, including regular Board and other management reporting. An Asset and Liability Committee (ALCO) has been appointed to direct and monitor risk management operations in accordance with the Risk Policy and is accountable to the Board.

(b) Market Risk

Market risk for the Authority is primarily through interest rate risk and other price risk. There is no exposure to foreign currency risk.

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority's exposure to interest rate risk arises where mismatches occur between the maturities of financial assets and financial liabilities. In order to mitigate this risk the Authority has entered into interest rate swap contracts and interest rate futures contracts to hedge actual financial transactions.

(i) Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Authority had a number of fair value hedges in place at the reporting date. As the hedging instrument and hedged items have matching fixed rate positions which directly offset each other there would be no material effect on profit or loss if interest rates change.

(ii) Sensitivity Analysis for Variable Rate Instruments

It is estimated that a change of 50 basis points applied to the risk exposures in existence at the reporting date would have increased/(decreased) profit for the reporting period by the amounts shown below. For the purpose of this analysis variable rate instruments include all variable rate interest bearing financial instruments which are due to be repriced within 90 days of the reporting date.

	Principal Balance 30/06/17 \$'000	+0.5% \$'000	-0.5% \$'000	Principal Balance 30/06/16 \$'000	+0.5% \$'000	-0.5% \$'000
Variable Rate Financial Assets						
Investment Securities	13,000	65	(65)	12,000	60	(60)
Loans and Advances	178,317	892	(892)	195,538	978	(978)
Variable Rate Financial Liabilities						
Council Deposits	382,142	(1,911)	1,911	301,560	(1,508)	1,508
Short Term Money Market Facility	103,855	(519)	519	180,074	(900)	900
Promissory Notes	21,819	(109)	109	23,304	(117)	117
Variable Rate Derivatives						
Interest Rate Swaps (Notional Principal)	448,591	2,243	(2,243)	430,514	2,153	(2,153)
Futures (Notional Principal/Bond Formula)	10,000	226	(226)	-	-	-
Profit/(Loss) Interest Rate Sensitivity		887	(887)		666	(666)

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

(ii) Other Price Risk

The Authority has held an investment issued by an Australian bank known as Floating Rate Capital Notes during the year, which were traded on the Australian Stock Exchange and were therefore classified as Available-for-sale assets. This investment was subject to price variations caused by factors other than interest rate fluctuations. As at 30 June 2017 these investments had been completely divested.

(c) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Authority's exposure to credit risk arises from the potential default by counterparties with whom financial assets are held.

Included in the Authority's Risk Policy document is a Credit Risk Limits policy which stipulates counterparty credit limits as follows:

- (i) Investments and Derivatives - Individual counterparties are assessed based on Standard & Poor's Credit Ratings and a limit applied based on that rating. Specific approvals are given for counterparties that are outside of this criteria. Regular reporting of investment and derivative credit exposures are provided to the Board and management.
- (ii) Loans and Advances - Credit limits are applied to individual councils based on debt servicing levels not exceeding Board approved percentages. Debt servicing levels are analysed on receipt of each loan application and the Board approved percentages are reviewed annually. Credit risk is considered minimal as the majority of loan agreements are secured by debentures providing a charge over the Council's general revenue.

The Authority has not incurred any bad debts since its inception in 1984.

A concentration of credit risk occurs in relation to loans and advances as under the Local Government Finance Authority Act, 1983, loans and advances made are restricted to Councils and Local Government Bodies (Note 2(g) Refer).

Non-derivative financial assets are shown below at face value or amortised cost and derivative financial assets are shown at their fair value plus the credit conversion factors in line with the APRA Guidelines. The Authority uses Standard and Poor's credit ratings to assess the credit quality of the counterparties it invests with. Loans to Councils and Local Government bodies are shown as No Rating (NR) in the following analysis as they are not required to be rated in this manner.

2017

	Short Term Rating		Long Term Rating			NR	Total
	A1+	A2	AA-	A	BBB+		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and Liquid Assets	54	-	-	-	-	-	54
Investment Securities	13,000	1,000	10,000	-	4,000	-	28,000
Loans and Advances	-	-	-	-	-	639,812	639,812
Derivatives	-	-	3,400	1,900	-	-	5,300
Total	13,054	1,000	13,400	1,900	4,000	639,812	673,166

2016

	Short Term Rating		Long Term Rating			NR	Total
	A1+	A2	AA-	A+	A		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and Liquid Assets	60	-	-	-	-	-	60
Investment Securities	7,000	5,000	18,000	5,000	-	7,000	42,000
Loans and Advances	-	-	-	-	-	624,349	624,349
Derivatives	-	-	2,500	-	2,500	-	5,000
Total	7,060	5,000	20,500	5,000	2,500	624,349	671,409

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

(d) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Authority's exposure to liquidity risk arises where a mismatch of cash flows between short term financial liabilities and long term financial assets exists.

The Authority has a State Government Guarantee covering all liabilities which enables it to borrow funds as required from the financial markets at favourable rates. In order to cover seasonal shortfalls in funding the Authority has access to short term borrowing arrangements with the South Australian Government Financing Authority (SAFA).

A liquidity policy is included in the Authority's Risk Policy document which provides for regular management reporting in order to closely monitor the liquidity position. The Risk Policy requires that sufficient funds are available at all times to meet any reasonable calls on its liabilities.

The following are the remaining contractual maturities of financial liabilities, including estimated interest payments:

2017

Carrying Amount \$'000	Contracted Cash Flows \$'000	0 - 3 Months \$'000	3 - 12 Months \$'000	1 - 5 Years \$'000	> 5 Years \$'000
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Non-Derivative Financial Liabilities

Deposits from Councils and Local Government

Bodies	464,295	(464,295)	(382,142)	(24,004)	(56,000)	-
Borrowings	150,830	(150,830)	(125,830)	-	(25,000)	-

Derivative Financial Liabilities

Interest Rate Swaps - Outflow	267,428	(295,417)	(10,113)	(41,046)	(168,045)	(76,213)
Interest Rate Swaps - Inflow	(240,216)	246,946	12,290	27,764	142,996	63,896

2016

Carrying Amount \$'000	Contracted Cash Flows \$'000	0 - 3 Months \$'000	3 - 12 Months \$'000	1 - 5 Years \$'000	> 5 Years \$'000
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Non-Derivative Financial Liabilities

Deposits from Councils and Local Government

Bodies	386,181	(386,181)	(303,829)	(68,532)	(13,820)	-
Borrowings	228,698	(228,698)	(203,698)	-	(25,000)	-

Derivative Financial Liabilities

Interest Rate Swaps - Outflow	306,879	(335,919)	(11,992)	(46,209)	(184,954)	(92,764)
Interest Rate Swaps - Inflow	(260,756)	286,862	14,241	32,298	157,941	82,382

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

24 - Transactions with South Australian Government

The following expense transactions were undertaken during the financial year between the Authority and the South Australian Government:-

	2017 \$'000	2016 \$'000
Interest Paid - Short Term Money Market Facility	2,392	2,798
Interest Paid - Fixed Term Borrowings	482	439
Interest Paid - Promissory Notes	385	513
Fees for the Guarantee of the Treasurer of S.A. on Liabilities	1,207	1,214
Income Tax Equivalents Expense	1,545	1,868
Audit Fees	58	55
Payroll Tax	23	19

The following financial liabilities were outstanding at the end of the financial year between the Authority and the South Australian Government:-

	2017 \$'000	2016 \$'000
Short Term Money Market Facility	103,855	180,074
Promissory Notes	21,819	23,304
Fixed Term Borrowings	25,000	25,000
Interest Payable - Short Term Money Market Facility	97	232
Interest Payable - Promissory Notes	36	56
Interest Payable - Fixed Term Borrowings	23	32
Audit Fees	58	55

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

25 - Fair Value of Financial Instruments

The book value of financial assets and financial liabilities shown in the table below includes principal, accrued interest and, where applicable, a fair value adjustment. The distribution of accrued interest to asset and liability categories which are recorded at amortised cost in the accounts will cause the amounts shown as book values to differ from those shown on the Statement of Financial Position.

All Derivative Financial Instruments and Available-for-sale financial assets (Investment Securities) have been recorded at fair value, including accrued interest, in the accounts. A portion of Net Loans and Advances has been recorded at fair value using hedge accounting with the remainder recorded at amortised cost.

The fair value of Other Assets and Other Liabilities is not required as the book value is a reasonable approximation of fair value.

(a) Fair value of Financial Assets and Financial Liabilities

The following methods and assumptions are used to determine the fair values of financial assets and liabilities:

Investment Securities

The fair value of Floating Rate Capital Notes is based on current market rates as quoted on the Australian Stock Exchange. The fair value of Fixed Term Deposits held with Banks is estimated based on a discounted cash flow analysis utilising a zero coupon curve which is representative of the market rates used for unwinding such instruments.

Net Loans and Advances

The fair value is estimated based on a discounted cash flow analysis utilising a zero coupon curve which is representative of the market rates used for unwinding such instruments.

Deposits from Councils and Prescribed Local Government Bodies

The fair value is estimated using discounted cash flow analysis based on current market rates for deposits having substantially the same terms and conditions.

Borrowings

The fair value is estimated using discounted cash flow analysis based on current market rates for borrowings having substantially the same terms and conditions.

Derivatives

The fair value of interest rate swaps is estimated based on a discounted cash flow analysis utilising a credit adjusted zero coupon curve in accordance with AASB13 Fair Value Measurement.

		2017		2016	
	Category (Note 2(b) Refer)	BOOK VALUE \$'000	FAIR VALUE \$'000	BOOK VALUE \$'000	FAIR VALUE \$'000
Financial Assets					
Investment Securities	Available-for-Sale Financial Assets	-	-	1,318	1,318
Investment Securities	Loans and Receivables	28,663	28,864	40,809	41,289
Net Loans and Advances	Loans and Receivables	196,689	218,874	200,047	217,520
Net Loans and Advances	Fair Value Hedge	482,214	482,214	482,890	482,890
Financial Liabilities					
Deposits from Councils and Prescribed Bodies	Financial Liabilities at Amortised Cost	464,295	464,785	386,180	386,765
Borrowings	Financial Liabilities at Amortised Cost	150,830	150,853	228,698	228,779
Derivatives	Fair Value Hedge	27,212	27,212	46,123	46,123
Derivatives	Financial Assets at Fair Value	(92)	(92)	-	-

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

(b) Fair Value Hierarchy

The recognised fair values of financial assets and liabilities are classified according to the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1 – fair values that reflect unadjusted quoted prices in active market for identical assets/liabilities.

Level 2 – fair values that are based on inputs that are directly or indirectly observable for the asset/liability (other than unadjusted quoted price).

Level 3 – fair values that are derived from data not observable in a market. The Authority does not have any financial assets or liabilities which are required to be valued using this method.

2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets				
Investment Securities	-	28,864	-	28,864
Net Loans and Advances	-	701,088	-	701,088
Financial Liabilities				
Deposits from Councils and Prescribed Bodies	-	464,785	-	464,785
Borrowings	-	150,853	-	150,853
Derivatives	-	27,120	-	27,120
 2016	 Level 1 \$'000	 Level 2 \$'000	 Level 3 \$'000	 Total \$'000
Financial Assets				
Investment Securities	1,318	41,289	-	42,607
Net Loans and Advances	-	700,410	-	700,410
Financial Liabilities				
Deposits from Councils and Prescribed Bodies	-	386,765	-	386,765
Borrowings	-	228,779	-	228,779
Derivatives	-	46,123	-	46,123

Certification of the financial statements

We certify that the:

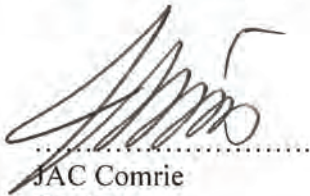
- financial statements of the Local Government Finance Authority of South Australia:
 - are in accordance with the accounts and records of the authority; and
 - comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the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



PA Slater
Chief Executive Officer



GC Hollitt
Manager Corporate Services



JAC Comrie
Chairman

1 September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chairman Local Government Finance Authority of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 33(2) of the *Local Government Finance Authority Act 1983*, I have audited the financial report of the Local Government Finance Authority of South Australia for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Local Government Finance Authority of South Australia as at 30 June 2017, 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.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising a statement of accounting policies and other explanatory information
- a Certificate from the Chairman, the Chief Executive Officer and the Manager Corporate Services.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Local Government Finance Authority of South Australia. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the Chief Executive Officer and the Board of Trustees for the financial report

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

In preparing the financial report, the Chief Executive Officer is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the entity is to be liquidated or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

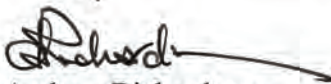
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern

- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer and the Board of Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

21 September 2017

Lotteries Commission of South Australia

Financial report
for the year ended
30 June 2017

Lotteries Commission of South Australia

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Employee benefits expenses	4	571	875
Supplies and services	6	491	515
Master Agent fee	7	54 624	57 124
Amortisation expense	13	43	43
Total expenses		<u>55 729</u>	<u>58 557</u>
Income			
Sales revenue	8	450 095	463 917
Cost of sales	9	<u>395 471</u>	<u>406 793</u>
Gross margin		<u>54 624</u>	<u>57 124</u>
Other revenues		9	5
Total income		<u>54 633</u>	<u>57 129</u>
Net cost of providing services		<u>1 096</u>	<u>1 428</u>
Revenues from SA Government			
Revenues from SA Government	10	<u>777</u>	<u>-</u>
Net result		<u>(319)</u>	<u>(1 428)</u>
Total comprehensive result		<u>(319)</u>	<u>(1 428)</u>

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

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

Lotteries Commission of South Australia

STATEMENT OF FINANCIAL POSITION as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	11	56 305	50 191
Receivables	12	2 811	4 343
Total current assets		<u>59 116</u>	<u>54 534</u>
Non-current assets			
Property, plant and equipment	13	69	112
Receivables	12	1 889	1 628
Total non-current assets		<u>1 958</u>	<u>1 740</u>
Total assets		<u>61 074</u>	<u>56 274</u>
Current liabilities			
Payables	14	21 373	21 193
Employee benefits	16	278	274
Other current liabilities	17	18 568	16 458
Total current liabilities		<u>40 219</u>	<u>37 925</u>
Non-current liabilities			
Payables	14	9 131	5 137
Employee benefits	16	13	17
Other non-current liabilities	17	11 690	12 855
Total non-current liabilities		<u>20 834</u>	<u>18 009</u>
Total liabilities		<u>61 053</u>	<u>55 934</u>
Net assets		<u>21</u>	<u>340</u>
Equity			
Retained earnings		21	340
Total equity		<u>21</u>	<u>340</u>

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

Unrecognised contractual commitments 18

Contingent assets and liabilities 19

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

Lotteries Commission of South Australia

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2017

	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2015	1 768	1 768
Net Result for 2015-16	(1 428)	(1 428)
Total comprehensive result for 2015-16	(1 428)	(1 428)
Balance at 30 June 2016	340	340
Net result for 2016-17	(319)	(319)
Total comprehensive result for 2016-17	(319)	(319)
Balance at 30 June 2017	21	21

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

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

Lotteries Commission of South Australia

STATEMENT OF CASH FLOWS for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash outflows			
Prizes paid		(267 352)	(273 177)
Payments to suppliers and employees		(1 019)	(1 215)
Master Agent fee payments		(63 370)	(66 242)
GST paid to the Australian Taxation Office		(7 036)	(7 483)
Payments for paid parental leave		(3)	(9)
Distribution to the Hospitals Fund and Recreation and Sport Fund			
• Gambling tax	15	(71 853)	(75 578)
• Unclaimed prizes	15	(1 662)	(2 713)
Cash used in operations		<u>(412 295)</u>	<u>(426 417)</u>
Cash inflows			
Receipts from customers		417 632	427 217
SA Government subsidy	10	777	-
Receipts for paid parental leave		-	12
Cash generated from operations		<u>418 409</u>	<u>427 229</u>
Net cash provided by (used in) operating activities	20	<u>6 114</u>	<u>812</u>
 Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		-	(3)
Net cash provided by (used in) investing activities		<u>-</u>	<u>(3)</u>
 Net increase (decrease) in cash and cash equivalents		<u>6 114</u>	<u>809</u>
 Cash and cash equivalents at the beginning of the financial year		<u>50 191</u>	<u>49 382</u>
 Cash and cash equivalents at the end of the financial year	11	<u>56 305</u>	<u>50 191</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

1. Establishment and function of the Lotteries Commission of South Australia

The Lotteries Commission of South Australia (the Commission), is established under the *State Lotteries Act 1966*, with the primary function of promoting and conducting lotteries in South Australia.

Tatts Lotteries SA Pty Ltd (Tatts) operates the Commission's brands and products, as the appointed Master Agent for a term expiring in December 2052. It is required to provide the Commission with all information relevant to its performance as Master Agent and for the proper operation of the agency arrangement.

The terms and conditions of the appointment and on-going operations of the Master Agent are governed by a number of Transaction Documents.

The Commission, in its capacity as principal, monitors Tatts' compliance with the Transaction Documents and retains the power to instruct Tatts to comply with its obligations under those documents.

2. Significant accounting policies

(a) Statement of compliance

The Commission has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

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

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

(b) Basis of preparation

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2017 and the comparative information presented.

(c) Reporting entity

The reporting entity comprises all activities of the Commission. This includes all transactions processed through the Lotteries Fund which is established under section 16(1) of the *State Lotteries Act 1966*. Tatts holds and operates the Lotteries Fund for and on behalf of the Commission.

(d) Comparative information

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

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

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

(e) Rounding

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

(f) Taxation

The Commission is not subject to income tax. The Commission is liable for payroll tax, fringe benefits tax and goods and services tax (GST).

Lotteries Commission of South Australia

Goods and Services Tax (GST)

The Commission, in accordance with section 16(3)(b) of the *State Lotteries Act 1966*, is required to pay GST of one eleventh of net gambling revenue (NGR), being gross sales less total prizes paid, direct to the Australian Taxation Office (ATO). The Master Agent calculates and forwards the GST on a monthly basis for the Commission to remit directly to the ATO. The GST on NGR is treated as a cost of sales.

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

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

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

Cash flows are included in the Statement of Cash Flows on a gross basis.

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

(g) Income

Sales revenue

Sales revenue for Saturday X Lotto, Monday and Wednesday X Lotto, Oz Lotto, Powerball, Keno, Super 66, The Pools, Set for Life and Lucky Lotteries is recognised as at the date of the draw. For these games, sales revenue as at 30 June for draws or competitions subsequent to that date are treated as sales in advance. Sales revenue for Instant Scratch tickets is recognised as tickets are sold.

Revenues from SA Government

Revenues from SA Government are recognised as income when the Commission obtains control of the subsidy and the income recognition criteria are met (i.e. the amount can be reliably measured and the flow of resources is probable).

(h) Expenses

Cost of sales expenses

Cost of sales expenses include actual prizes paid, gambling tax on net gambling revenue, agents' commission and GST on net gambling revenue and are recognised in the reporting period in which the sales revenue is recognised.

Master Agent Fee

The Master Agent fee is payable to Tatts as the Commission's exclusive Master Agent for operating SA Lotteries' brands and products. Under clause 8.3 of the Master Agency Agreement, the Master Agent remits the amount of the Master Agent fee less Agents' commissions to an account nominated by the Master Agent.

(i) Assets

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and the Statement of Cash Flows includes the Commission's cash on hand and deposits held at call, and cash held by Tatts on behalf of the Commission for game related obligations. These are subject to insignificant risk of changes in value and are used in the cash management function on a day-to-day basis.

The Commission's bank account is held with the Commonwealth Bank of Australia in an At Call Deposit account.

Cash held by Tatts for game related obligations on behalf of the Commission is held with Westpac Banking Corporation.

Cash is measured at nominal value.

Receivables

Receivables include amounts receivable from agents and other parties, prize settlements receivable from lottery operators in other States participating in inter-jurisdictional prize pooling arrangements, and prepayments. Receivables (other than prepayments) arise in the normal course of selling goods and services to agents and other parties and through prize settlement arrangements with other Bloc members.

Lotteries Commission of South Australia

All game related receivables are administered by Tatts on behalf of the Commission.

Prize settlements receivable from Blocs

Saturday X Lotto, Monday and Wednesday X Lotto, Oz Lotto, Powerball, Super 66, The Pools, Set for Life and Lucky Lotteries are games supported by inter-jurisdictional prize pooling arrangements. Lottery operators participating in individual games form Blocs for the relevant games. Amounts receivable from Blocs represent monies due from other jurisdictions for prizes won in South Australia. Settlement of amounts receivable from Bloc members are normally due 14 days after the date of the draw.

All game related prize settlements receivable from Blocs are administered by Tatts on behalf of the Commission.

Non-current asset acquisition, recognition and disposal

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

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

All non-current assets with a value of \$10,000 or more are capitalised.

(j) Liabilities

Payables

Payables include creditors, accrued expenses, prizes payable, GST payable, employment on-costs and Undistributed funds.

All game related payables are administered by Tatts on behalf of the Commission.

Prizes payable

Prizes payable represent amounts due to be paid to customers for prizes won in South Australia and settlements due to lottery operators in other States participating in inter-jurisdictional prize pooling arrangements.

Amounts payable for prizes won in South Australia are generally available for payment the day following the draw, or in the case of Instant Scratch tickets and minor Keno prizes, on the date of sale or draw. Division 1 prizes for lotto matrix type games are normally paid 14 days after the date of draw in accordance with the Lotteries Rules. Amounts payable to Blocs represent monies due to other lottery operators for prizes won in Interstate jurisdictions. Settlement of amounts payable to Bloc members are normally due 14 days after the date of the draw.

Non-current prizes payable relate to outstanding annuity-style Instant Scratch tickets and Set for Life prizes where the total prize is payable in instalments over a number of years in accordance with the terms and conditions of each game. The liability is measured at the undiscounted amount expected to be paid.

All prizes payable are administered by Tatts on behalf of the Commission.

Prize Reserve Funds

The liability for prize reserve funds are amounts set aside from entry fees to fund future prizes and promotions for all draw based games. Refer Note 17 for individual game breakdown.

Distribution of funds to Government

In accordance with subsection 16(3) of the *State Lotteries Act 1966*, the Commission is required to pay to the Hospitals Fund the balance of surplus funds remaining after:

- payment of gambling tax and GST on NGR;
- making allowances for operating and capital expenses;
- applying the net proceeds and gambling tax of The Pools to the Recreation and Sport Fund;
- in respect of Special Appeal Lotteries (note 2(k)), applying the net proceeds and unclaimed prizes less the GST on NGR to the beneficiary(s) of those lotteries; and
- retaining funds for certain designated purposes.

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Gambling tax is paid from the Lotteries Fund by Tatts on behalf of the Commission to the State.

In accordance with the provisions of the *State Lotteries Act 1966* the transfer of funds to the Hospitals Fund was reflected in the financial statements in the form of:

- (i) a gambling tax of 41 per cent on NGR in respect of all lotteries conducted by the Commission except sports lotteries, special lotteries and special appeal lotteries;
- (ii) unclaimed prizes.

The composition of all amounts due and payable to Government on account of the Hospitals Fund and Recreation and Sport Fund is detailed in note 15.

Employee benefits

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

The Commission makes contributions to the State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes.

Salaries, annual leave and sick leave

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

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

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

Long service leave

The liability for long service leave is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period.

The estimated liability for long service leave is based on expected future salary levels, experience of employee departures and periods of service.

The portion of the long service leave liability classified as current represents the amount that is expected to be paid as leave taken or paid on termination of employment during the Commission's normal operating cycle.

(k) Special Appeal Lotteries

Section 13AB of the *State Lotteries Act 1966* enables the Commission to conduct Special Appeal Lotteries. Tatts is to do all things necessary to assist the Commission to conduct Special Appeal Lotteries and will receive compensation in accordance with the Master Agency Agreement and the Treasurer's Agency Fees Guarantee and Payment Deed.

No Special Appeal Lotteries were conducted during the financial year.

(l) Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating expenditures arising from contractual sources and are disclosed at their nominal value.

(m) Events after the reporting period

There have been no events subsequent to 30 June 2017 that have had a material impact on the information disclosed in these financial statements.

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3. New and revised Accounting Standards and policies

Australian Accounting Standards and Interpretations that have recently been issued or amended but not yet effective were not adopted by the Commission during 2016-17.

As at the date of authorisation of the financial report, the expected impacts on new or amended Australia Accounting Standards issued with future effective dates are set out below.

AASB 16 - Leases

AASB 16 *Leases* will apply for the first time for the year to reporting periods beginning on or after 1 January 2019. The amended standard introduces a single accounting model for lessees, eliminating the distinction between operating and finance leases. The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its rights to use the underlying leased asset, and a lease liability representing its obligations to make lease payments.

The Commission has not yet quantified the impact of apply AASB 16 *Leases* to its operating lease arrangements and the resulting impact on the Statement of Comprehensive Income, the Statement of Financial Position and the Commitments disclosure in the Notes to the Financial Statements.

AASB 15 - Revenue from Contracts with Customers

AASB15 *Revenue from Contracts with Customers* will replace the existing AASB 118 *Revenue* and applies to reporting periods beginning on or after 1 January 2019. AASB 15 *Revenue from Contracts to Customers* introduces a five step process for revenue recognition with the core principle being to recognise revenue 'when control of a good or service transfers to a customer'. This is effectively when performance obligations have been met, rather than the former model of 'where the risk and rewards of ownership reside'.

AASB 15 will result in increased disclosures about revenue. AASB 15 allows a 'cumulative approach' rather than full retrospective application. If the 'cumulative approach' is applied, there is no need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus at the date of initial application.

The Commission has not yet quantified the impact of applying AASB 15 *Revenue from Contracts with Customers* and the resulting impact on the statement of comprehensive income.

AASB 1058 - Income of Not-for-Profit Entities

AASB 1058 *Income of Not-for-Profit Entities* will replace a number of income recognition requirements under AASB 1004 *Contributions* and applies to reporting periods beginning on or after 1 January 2019. The new standard specifies income recognition requirements that apply to not for profit entities, in conjunction with AASB 15. The timing of income recognition depends on whether a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity. Where there is no liability to be recognised under another standard, or the liability is less than the fair value of the asset received than revenue is recognised.

The Commission has not yet quantified the impact of applying AASB 1058 *Income of Not-for-Profit Entities* and the resulting impact on the statement of comprehensive income.

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4. Employee benefits expenses

	2017 \$'000	2016 \$'000
Salaries	438	650
TVSPs (refer below)	41	64
Annual leave	39	62
Long service leave	9	14
Skills and experience retention leave	-	1
Employment on-costs - other	-	19
Employment on-costs - superannuation contributions	44	65
Total employee benefits expenses	571	875

Targeted voluntary separation packages (TVSPs)

	2017 \$'000	2016 \$'000
Amounts paid during the reporting period to separated employees:		
TVSPs	41	64
Annual leave, long service leave and skills and experience retention leave paid to those employees	18	23
Cost to the Commission	59	87

The number of employees who received TVSPs during the reporting period was one (one).

Remuneration of employees

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, TVSP payments, retention payments, superannuation contributions, salary sacrifice benefits, fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$0.201 million (\$0.201 million).

	2017 No.	2016 No.
The number of employees whose remuneration received or receivable falls within the following band:		
\$197 001 - \$207 000	1	1
Total number of employees	1	1

5. Key management personnel

(a) Key management personnel

The key management personnel are the Minister and the senior management team (including the Commissioner) who have responsibility for the direction and management of the Commission.

The key management personnel comprised the following persons for the full financial year unless otherwise stated:

T Koutsantonis - Minister for Finance
D G Hardy, LLB, BA, GDLP - Commissioner
P Marsden, BComm, CPA - Finance Manager (1 July 2016 to 5 August 2016)

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(b) Key management personnel compensation

	2017 \$'000	2016 \$'000
The compensation of key management personnel included in employee benefits expenses (refer note 4) is as follows:		
Short-term employee benefits	197	288
Post-employment benefits	19	27
Total key management personnel compensation	216	315

Salaries and other benefits the Minister for Finance receives are excluded from the totals above. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

6. Supplies and services

	2017 \$'000	2016 \$'000
Operating leases	161	158
Internal audit fees	129	145
External audit fees	73	70
Computing and Communications	58	60
Other	36	49
Other occupancy costs	30	33
Consultancies	4	-
Total supplies and services	491	515

The Commission has arranged, through the SA Government Captive Insurance Corporation (SAICORP), a division of the South Australian Government Financing Authority (SAFA) to insure all major risks of the organisation. The excess payable under this arrangement varies depending on each class of insurance held.

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the PFAA were \$73k(\$70k). No other services were provided by the Auditor-General's Department.

	2017 No.	2016 No.	2017 \$'000	2016 \$'000
Consultancies				
The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following band:				
Below \$10 000	1	-	4	-
Total paid/payable to consultants engaged	1	-	4	-

7. Master Agent fee

	2017 \$'000	2016 \$'000
Gross sales	450 095	463 917
less prizes	272 487	279 959
less gambling tax on NGR	72 819	75 423
less GST on NGR	16 146	16 723
Gross Master Agent fee (including Agents' commissions)	88 643	91 812
less Agents' commissions	34 019	34 688
Net Master Agent fee	54 624	57 124

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8. Sales revenue

	2017 \$'000	2016 \$'000
Saturday X Lotto	137 016	136 891
Keno	122 767	112 907
Powerball	58 076	72 506
Oz Lotto	45 332	56 066
Instant Scratch tickets	33 129	32 415
Monday and Wednesday X Lotto	31 655	31 049
Set for Life	19 803	20 650
Super 66	750	933
The Pools	645	500
Lucky Lotteries - Super Jackpot	476	-
Lucky Lotteries - Mega Jackpot	446	-
Total sales revenue	450 095	463 917

Sales revenue includes Agents' commissions.

9. Cost of sales

	2017 \$'000	2016 \$'000
Prizes	272 487	279 959
Gambling tax on net gambling revenue	72 819	75 423
Agents' commissions	34 019	34 688
GST on net gambling revenue	16 146	16 723
Total cost of sales	395 471	406 793

10. Revenues from SA Government

	2017 \$'000	2016 \$'000
Revenues from SA Government	777	-
Total revenues from SA Government	777	-

The Commission is funded by a subsidy from the SA Government.

11. Cash and cash equivalents

	2017 \$'000	2016 \$'000
Deposits held at call and cash on hand	435	666
Funds held by the Master Agent	55 870	49 525
Total cash and cash equivalents	56 305	50 191

In accordance with clause 7 of the Master Agency Agreement, Tatts holds and operates the Lotteries Fund for and on behalf of the Commission. The Commission assigned all of its rights, title and interest to future interest earnings on the Lotteries Fund to the Master Agent. The consideration for the assignment of interest was included in the aggregate consideration paid by Tatts for the transaction to the State.

Interest rate risk

Deposits held at call and cash on hand are non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

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12. Receivables

	2017 \$'000	2016 \$'000
Current		
Agent debtors	1 541	2 564
Prize settlements receivable from Blocs	1 264	1 772
Sundry receivables	4	4
Prepayments	2	3
Total current receivables	<u>2 811</u>	<u>4 343</u>
Non-current		
Receivable from Master Agent	1 889	1 628
Total non-current receivables	<u>1 889</u>	<u>1 628</u>
Total receivables	<u>4 700</u>	<u>5 971</u>

Interest Rate Risk

All receivables are non-interest bearing.

Credit Risk

Credit risk represents the loss that would be recognised if parties owing monies to the Commission at the reporting date fail to honour their obligations. It is not anticipated that parties will fail to discharge their obligations. The major portion of monies owing relates to the operation of SA Lotteries' brands and products by the Master Agent.

Net Fair Values

The carrying amount of receivables approximates net fair value due to being receivable on demand.

13. Property, plant and equipment

	2017 \$'000	2016 \$'000
Plant and equipment		
Plant and equipment at cost (deemed fair value)	11	11
Accumulated depreciation	(11)	(11)
Total plant and equipment	<u>-</u>	<u>-</u>
Leasehold improvements		
Leasehold improvements at cost (deemed fair value)	185	185
Accumulated amortisation	(116)	(73)
Total leasehold improvements	<u>69</u>	<u>112</u>
Total property, plant and equipment	<u>69</u>	<u>112</u>

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2016-17 and 2015-16.

	Leasehold improve- ments \$'000	Total \$'000
Carrying amount at 1 July 2016	112	112
Depreciation and amortisation	(43)	(43)
Carrying amount at 30 June 2017	<u>69</u>	<u>69</u>
Carrying amount at 1 July 2015	152	152
Additions	3	3
Depreciation and amortisation	(43)	(43)
Carrying amount at 30 June 2016	<u>112</u>	<u>112</u>

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14. Payables

	2017 \$'000	2016 \$'000
Current		
Prizes payable	13 382	14 752
Undistributed funds (note 15)	6 595	4 985
GST payable	779	413
Creditors and accrued expenses	591	1 011
Employment on-costs	26	32
Total current payables	21 373	21 193
Non-current		
Prizes payable	9 130	5 135
Employment on-costs	1	2
Total non-current payables	9 131	5 137
Total payables	30 504	26 330

Based on an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave remains unchanged from the 2016/2017 rate (40%) and the average factor for the calculation of employer superannuation cost on-cost has changed from the 2016/2017 rate (10.2%) to 10.1%. These rates are used in the employment on-cost calculation.

Interest rate and credit risk

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

15. Distribution of funds to SA Government

	Balance 1 July \$'000	Distribution Provided \$'000	(Paid) \$'000	Balance 30 June \$'000
Gambling tax	4 854	73 285	(71 853)	6 286
Unclaimed prizes	130	1 841	(1 662)	309
Totals 2016-17	4 984	75 126	(73 515)	6 595
Totals 2015-16	5 277	77 998	(78 291)	4 984

Comprising:

Distribution to Hospitals Fund

Gambling tax	4 844	73 143	(71 714)	6 273
Unclaimed prizes	130	1 841	(1 662)	309
Totals	4 974	74 984	(73 376)	6 582

Distribution to Recreation and Sport Fund

Gambling tax	10	142	(139)	13
Unclaimed prizes	-	-	-	-
Totals	10	142	(139)	13

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16. Employee benefits

	2017 \$'000	2016 \$'000
Current		
Annual leave	129	123
Long service leave	141	141
Accrued salaries and wages	8	10
Total current employee benefits	<u>278</u>	<u>274</u>
Non-Current		
Long service leave	13	17
Total non-current employee benefits	<u>13</u>	<u>17</u>
Total employee benefits	<u>291</u>	<u>291</u>

17. Other liabilities

	2017 \$'000	2016 \$'000
Current		
Prize Reserve Funds (a)	11 537	11 339
Keno Prize Reserve (b)	3 275	2 158
Monday and Wednesday X Lotto Division 1 Prize Reserve (c)	38	1 007
Set for Life Division 1 Prize Reserve (d)	672	(307)
Unearned revenue - sales in advance	3 046	2 261
Total current other liabilities	<u>18 568</u>	<u>16 458</u>
Non-current		
Unclaimed prizes reserve (e)	11 690	12 855
Total non-current other liabilities	<u>11 690</u>	<u>12 855</u>
Total other liabilities	<u>30 258</u>	<u>29 313</u>

(a) Prize Reserve Funds

Balance at 1 July	11 339	10 821
Allocated to prize reserve funds	12 590	13 239
Applied to additional or increased prizes	(12 392)	(12 721)
Balance at 30 June	<u>11 537</u>	<u>11 339</u>

An agreed proportion of the total amount of net sales (gross sales less Agents' commissions) for each of Saturday X Lotto, Monday and Wednesday X Lotto, Oz Lotto, Powerball, Super 66, The Pools, Set for Life and Lucky Lotteries is set aside to accumulate as the Prize Reserve Fund for each game in accordance with the respective Game Rules. These funds are applied from time to time for the payment of additional or increased prizes in subsequent lotteries or prizes in respect of missed prize entries for previous lottery draws.

(b) Keno Prize Reserve

Balance at 1 July	2 158	1 405
Allocated to prize reserve	89 186	82 031
Applied to prizes	(88 069)	(81 278)
Balance at 30 June	<u>3 275</u>	<u>2 158</u>

The Keno Prize Reserve is funded by a portion of net sales (gross sales less Agents' commissions) to meet the Keno prizes won.

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(c) Monday and Wednesday X Lotto Division 1 Prize Reserve

Balance at 1 July	1 007	894
Allocated to prize reserve	5 395	5 630
Applied to prizes	(6 364)	(5 517)
Balance at 30 June	38	1 007

In accordance with the Game Rules, the Monday and Wednesday X Lotto Division 1 Prize Reserve was funded by an 18% contribution of net sales (gross sales less Agents' commissions) to meet Division 1 prizes.

(d) Set for Life Division 1 Prize Reserve

	2017	2016
	\$'000	\$'000
Balance at 1 July	(307)	-
Allocated to prize reserve	3 699	3 854
Applied to prizes	(2 720)	(4 161)
Balance at 30 June	672	(307)

In accordance with the Game Rules, the Set for Life 1st Prize Reserve was funded by a 20% contribution of net sales (gross sales less Agents' commissions) to meet the 1st prizes.

(e) Unclaimed Prizes Reserve

Balance at 1 July	12 855	11 786
Unclaimed monies forfeited	3 683	5 417
Balance before distributions	16 538	17 203
Monies provided for distribution to the Hospitals Fund	(1 841)	(2 708)
Monies provided for distribution to the Recreation and Sport Fund	-	(1)
Applied to additional or increased prizes in subsequent lottery draws, prizes in promotional lotteries or ex gratia payments	(3 007)	(1 639)
Balance at 30 June	11 690	12 855

Other than a prize in a Special Appeal Lottery (note 2(k)), any prize in a lottery that has not been collected or taken delivery of within 12 months of the date of the draw or relevant day is forfeited to the Commission and transferred into the Unclaimed Prizes Reserve. Subsection 16C(4) of the *State Lotteries Act 1966* requires the Commission to pay:

- 50 per cent of the amount derived from unclaimed prizes in The Pools (and other sports lotteries or special lotteries) to the Recreation and Sport Fund; and
- 50 per cent of the amount derived from unclaimed prizes in other lotteries to the Hospitals Fund.

The balance in the Reserve is applied by the Commission from time to time for the purposes of providing additional or increased prizes in a subsequent lottery or lotteries, providing prizes in promotional lotteries or making ex gratia payments.

The *State Lotteries Act 1966* provides for an ex gratia payment to a person who satisfies the Commission that they are a winner of a prize in a lottery conducted by the Commission, despite the fact that a prize has been forfeited to the Commission, the winning ticket has been lost or destroyed or the period of notice of a claim for the prize has expired.

Ex gratia payments are charged to the Unclaimed Prizes Reserve. The next payment to either the Hospitals Fund or Recreation and Sport Fund is then reduced by an amount equivalent to 50 per cent of the ex gratia payment, depending on the game played.

The Unclaimed Prizes Reserve is administered by Tatts on behalf of the Commission and must only be disbursed in accordance with approvals given by the Commission.

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18. Unrecognised contractual commitments

	2017 \$'000	2016 \$'000
Operating lease commitments		
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	161	156
Later than one year but not longer than five years	95	256
Total operating lease commitments	256	412
	2017 \$'000	2016 \$'000
<i>Representing:</i>		
Non-cancellable operating leases	256	412

The Commission's operating lease relates to office accommodation leased from the Department of Planning, Transport and Infrastructure - Building Management Accommodation and Property Services unit. The five year lease is non-cancellable with a five year right of renewal. Rental provisions within the lease agreement require future lease payments to be increased by 3.25% per annum. The initial lease term expires on 31 January 2019.

	2017 \$'000	2016 \$'000
Other commitments		
Other expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	162	160
Later than one year but not longer than five years	7	115
Total other commitments	169	275

Master Agent Fee

The Commission's commitments include a monthly Master Agent fee payable to Tatts for a term of 40 years commencing 11 December 2012. No amounts payable by the Commission to the Master Agent are disclosed as the fee is based on a formula which is contingent on gross sales, prizes, gambling tax on net gambling revenue, Agents' commissions and GST on net gambling revenue. The amount is paid on a monthly basis.

19. Contingent assets and liabilities

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

The Commission has made no guarantees.

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20. Cash flow reconciliation

	2017 \$'000	2016 \$'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	56 305	50 191
Balance as per the Statement of Cash Flows	<u>56 305</u>	<u>50 191</u>
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash provided by (used in) operating activities	6 114	812
Less: Unclaimed prizes distribution provided	1 841	2 709
Less: Revenues from SA Government	(777)	-
Add (less): non-cash items		
Depreciation and amortisation expense	(43)	(43)
Movement in assets / liabilities		
Increase(decrease) in receivables	(1 271)	(107)
(Increase)decrease in payables (including undistributed funds)	(4 174)	360
(Increase)decrease in employee benefits	-	40
(Increase)decrease in other liabilities	(2 786)	(5 199)
Net cost of providing services	<u>(1 096)</u>	<u>(1 428)</u>

21. Financial risk management

The Commission is exposed to a variety of financial risks, including market risk, credit risk and liquidity risk.

Risk management is carried out by all areas of the organisation and risk management policies and practices are in accordance with the Australian Risk Management Standards and a corporate policy approved by the Commission.

The Commission has non-interest bearing assets (cash at bank, cash on hand and receivables) and liabilities (payables and other liabilities). The maturity of financial assets and liabilities are disclosed separately in the relevant notes: current items mature in less than 12 months; non-current items mature in more than 12 months.

The Commission's exposure to cash flow interest risk is minimal.

The Commission's exposure to credit risk is minimal. The major portion of monies owing relates to the operation of SA Lotteries' brands and products by Tatts as the Master Agent. It is not anticipated that parties will fail to discharge their obligations. The Commission has policies and procedures in place to ensure that transactions occur with parties with appropriate credit history.

Liquidity risk arises where an organisation is unable to meet its financial obligations as and when they fall due. The Commission has consistent and stable cash flows from the SA Government, which means its exposure to liquidity risk is minimal. The Commission's exposure to liquidity risk is insignificant based on current expectations regarding risk.

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22. Transactions with SA Government

As required by APS 4.1 of Accounting Policy Framework II *General Purpose Financial Statements Framework*, the following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Note	SA Government		Non-SA Government		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
EXPENSES						
4. Employee benefits expenses	111	45	460	830	571	875
6. Supplies and services						
External audit fees	73	70	-	-	73	70
Operating leases	161	158	-	-	161	158
Internal audit fees	-	-	129	145	129	145
Computing and Communications	51	46	7	14	58	60
Other	12	8	24	41	36	49
Consultancies	-	-	4	-	4	-
Other occupancy costs	-	-	30	33	30	33
Total supplies and services	297	282	194	233	491	515
7. Master Agent fee	-	-	54 624	57 124	54 624	57 124
TOTAL EXPENSES (excluding depreciation and amortisation)	408	327	55 278	58 187	55 686	58 514
INCOME						
8. Sales revenue	-	-	450 095	463 917	450 095	463 917
9. Cost of sales						
Prizes	-	-	(272 487)	(279 959)	(272 487)	(279 959)
Gambling tax on NGR	(72 819)	(75 423)	-	-	(72 819)	(75 423)
Agents' commissions	-	-	(34 019)	(34 688)	(34 019)	(34 688)
GST on NGR paid to the ATO	-	-	(16 146)	(16 723)	(16 146)	(16 723)
Total cost of sales	(72 819)	(75 423)	(322 652)	(331 370)	(395 471)	(406 793)
Other revenues	9	5	-	-	9	5
10. Revenues from SA Government	777	-	-	-	777	-
TOTAL INCOME	(72 033)	(75 418)	127 443	132 547	55 410	57 129
11. Cash and Cash Equivalents						
Deposits held at call and cash on hand	435	666	-	-	435	666
Funds held by the Master Agent	-	-	55 870	49 525	55 870	49 525
Total Cash and Cash Equivalents	435	666	55 870	49 525	56 305	50 191
12. Receivables						
Current						
Prize settlements receivable from Blocs	-	-	1 264	1 772	1 264	1 772
Agent debtors	-	-	1 541	2 564	1 541	2 564
Sundry receivables	4	4	-	-	4	4
Prepayments	2	3	-	-	2	3
Total current receivables	6	7	2 805	4 336	2 811	4 343

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Note	SA Government		Non-SA Government		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current						
Receivables from Master Agent	-	-	1 889	1 628	1 889	1 628
Total non-current receivables	-	-	1 889	1 628	1 889	1 628
Total receivables	6	7	4 694	5 964	4 700	5 971
14. Payables						
Current						
Creditors and accrued expenses	128	86	463	925	591	1 011
Prizes payable	-	-	13 382	14 752	13 382	14 752
GST payable	-	-	779	413	779	413
Undistributed funds	6 595	4 985	-	-	6 595	4 985
Employment on-costs	26	32	-	-	26	32
Total current payables	6 749	5 103	14 624	16 090	21 373	21 193
Non-current						
Prizes payable	-	-	9 130	5 135	9 130	5 135
Employment on-costs	1	2	-	-	1	2
Total non-current payables	1	2	9 130	5 135	9 131	5 137
Total payables	6 750	5 105	23 754	21 225	30 504	26 330
17. Other Liabilities						
Current						
Prize Reserve Funds	-	-	11 537	11 339	11 537	11 339
Keno Prize Reserve	-	-	3 275	2 158	3 275	2 158
Monday and Wednesday X Lotto Division 1 Prize Reserve	-	-	38	1 007	38	1 007
Set for Life Division 1 Prize Reserve	-	-	672	(307)	672	(307)
Unearned revenue - sales in advance	-	-	3 046	2 261	3 046	2 261
Total current other liabilities	-	-	18 568	16 458	18 568	16 458
Non-current						
Unclaimed prize reserve	-	-	11 690	12 855	11 690	12 855
Total non-current other liabilities	-	-	11 690	12 855	11 690	12 855
Total other liabilities	-	-	30 258	29 313	30 258	29 313

Lotteries Commission of South Australia

Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Lotteries Commission of South Australia:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987* and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Lotteries Commission of South Australia; and
- present a true and fair view of the financial position of the Lotteries Commission of South Australia as at 30 June 2017 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Lotteries Commission of South Australia for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.


David Hardy
Commissioner
Lesa Lum
Senior Management Accountant

13 September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Commissioner Lotteries Commission of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Lotteries Commission of South Australia for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Lotteries Commission of South Australia as at 30 June 2017, 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.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Commissioner and Senior Management Accountant.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Lotteries Commission of South Australia. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the Commissioner for the financial report

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

Auditor's responsibilities for the audit of the financial report

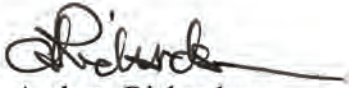
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Commissioner regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

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

Andrew Richardson

Auditor-General

18 September 2017

Motor Accident Commission

Financial report
for the year ended
30 June 2017

**MOTOR ACCIDENT COMMISSION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

		MAC Fund		Consolidated	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Premium revenue	5	-	458,275	-	458,275
Outwards reinsurance expense		-	(2,834)	-	(2,834)
Net premium		-	455,441	-	455,441
Claims expense	6	260,501	(140,157)	260,501	(140,157)
Reinsurance and other recoveries	5	(1,758)	(1,415)	(1,758)	(1,415)
Net claims	21	258,743	(141,572)	258,743	(141,572)
Unexpired risk expense	10	-	16,168	-	16,168
Other underwriting expenses	7	(35,015)	(124,610)	(47,101)	(124,387)
Contributions	8	-	(12,000)	-	(12,000)
Underwriting profit (loss)		223,728	193,427	211,642	193,650
Investment revenue	5	47,431	50,136	47,162	49,759
Other revenue	5	65	-	13,594	6
Investment management fee		(8,666)	(8,572)	(8,666)	(8,572)
Net investment revenue		38,830	41,564	52,090	41,193
Net Result before market value movements		262,558	234,991	263,732	234,843
Investment market value movements	5	96,859	78,564	96,859	78,564
Net result		359,417	313,555	360,591	313,407
Total comprehensive result		359,417	313,555	360,591	313,407

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

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

**MOTOR ACCIDENT COMMISSION
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

		MAC Fund		Consolidated	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current Assets					
Cash	25	11,545	15,216	14,590	16,661
Receivables	9	3,394	3,459	3,596	3,482
Reinsurance and other recoveries receivable	11	958	1,667	958	1,667
Other financial assets	12	202,566	440,300	202,566	440,300
Assets held for sale	13	565,500	587,900	565,500	587,900
Total Current Assets		783,963	1,048,542	787,210	1,050,010
Non-Current Assets					
Receivables	9	500	500	-	-
Reinsurance and other recoveries receivable	11	3,893	6,190	3,893	6,190
Other financial assets	12	799,331	1,481,961	799,331	1,481,961
Property, plant and equipment	14	-	-	417	478
Total Non-Current Assets		803,724	1,488,651	803,641	1,488,629
Total Assets		1,587,687	2,537,193	1,590,851	2,538,639
Current Liabilities					
Payables	15	2,615	5,102	3,747	5,243
Premiums held for other entities	16	15,089	120,126	15,089	120,126
Outstanding claims	17	337,037	323,232	337,039	323,234
Provisions	19	13,264	11,413	13,515	11,790
Total Current Liabilities		368,005	459,873	369,390	460,393
Non-Current Liabilities					
Outstanding claims	17	860,241	1,389,096	860,303	1,389,161
Provisions	19	-	-	557	875
Total Non-Current Liabilities		860,241	1,389,096	860,860	1,390,036
Total Liabilities		1,228,246	1,848,969	1,230,250	1,850,429
Net Assets		359,441	688,224	360,601	688,210
Equity					
Retained earnings		359,441	688,224	360,601	688,210
Total Equity		359,441	688,224	360,601	688,210

The Total Equity is attributable to the SA Government as owner.

Commitments	23
Contingent assets and liabilities	27

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

**MOTOR ACCIDENT COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017**

	MAC Fund		Consolidated	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Cash Flows from Operating Activities				
Cash receipts from CTP insurance premiums	-	472,278	-	472,278
Other cash receipts in the course of operations	2,983	1,711	16,648	1,717
Cash payments in settlement of claims	(273,441)	(328,327)	(273,441)	(328,327)
Rescue Retrieval & Aviation Services Base contribution	-	(12,000)	-	(12,000)
Other cash payments in the course of operations	(152,542)	(128,174)	(165,924)	(127,712)
Interest and other investment income	1,073,622	310,700	1,073,642	310,727
GST refunded/(paid) to the ATO	15,907	(15,152)	17,236	(15,183)
Net Cash inflows/(outflows) from Operating Activities (Note 25)	666,529	301,036	668,161	301,500
Cash Flows from Investing Activities				
Payment for property, plant and equipment	-	-	(32)	(19)
Net Cash outflows from Investing Activities	-	-	(32)	(19)
Cash Flows from Financing Activities				
Return of capital	(688,200)	(448,500)	(688,200)	(448,500)
Net Cash outflows from Financing Activities	(688,200)	(448,500)	(688,200)	(448,500)
Net change in cash held	(21,671)	(147,464)	(20,071)	(147,019)
Cash at the beginning of the year	37,197	184,661	38,642	185,661
Cash at the end of the year (Notes 2(p), 25)	15,526	37,197	18,571	38,642

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

**MOTOR ACCIDENT COMMISSION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	MAC Fund \$'000	Consolidated \$'000
Retained Earnings at 30 June 2014		1,251,287	1,251,610
Total Comprehensive Result for 2014/15		424,782	424,593
Return of capital for 2014/15		(852,900)	(852,900)
Retained Earnings at 30 June 2015		823,169	823,303
Total Comprehensive Result for 2015/16		313,555	313,407
Return of capital for 2015/16	22	(448,500)	(448,500)
Retained Earnings at 30 June 2016		688,224	688,210
Total Comprehensive Result for 2016/17		359,417	360,591
Return of capital for 2016/17	22	(688,200)	(688,200)
Balance as at 30 June 2017		359,441	360,601

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

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

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

1 ACTIVITIES OF THE MOTOR ACCIDENT COMMISSION

During the year ended 30 June 2017, the principal activities of the Motor Accident Commission (MAC and / or the Commission) were:

- (a) to manage the run off of claims against policies issued up to and including 30 June 2016. From 1 July 2016, the SA Government opened the provision of CTP insurance in South Australia to the private sector. Accordingly MAC no longer has a role as a provider of CTP insurance in South Australia and ceased writing new CTP insurance policies from this date. However, MAC will continue its role as Nominal Defendant and run off its claims against policies issued up to and including 30 June 2016;
- (b) to lead in road safety behaviour change and education, with responsibility for managing SA's road safety communications program. As part of this role, MAC promotes road safety awareness through non-commercial programs, including sponsorship of road safety research, partnerships and the delivery of communications aimed at safer road user behavior.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

MAC has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987 (PFAA)*.

The financial report has been prepared with MAC being treated as a Not for Profit entity. The financial report for MAC consists of the MAC Fund and the Consolidated financial statements which includes the Road Safety Fund for the year ended 30 June 2017 and are prepared for the same reporting period, using consistent accounting policies. The MAC CTP Fund formerly established by the Commission continues in existence as the MAC Fund per section 25 of the *Motor Accident Commission Act 1992* and all intra-group balances, transactions, income and expenses are eliminated in full.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian accounting standards and comply with Treasurer's Instructions (TI) and accounting policy statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

In the interest of public accountability and transparency, the accounting policy statements require the following note disclosures, which have been included in this financial report:

- i) *revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100,000 for separate identification of these items applies;*
- ii) *expenses incurred as a result of engaging consultants;*
- iii) *employees whose normal remuneration is equal to or greater than the base executive remuneration (within \$10 000 bandwidths) and the aggregate of the remuneration level paid or payable or otherwise made available, directly or indirectly by the entity to those employees; and*
- iv) *board/committee member and remuneration information where a board/committee member is entitled to receive income from membership other than a direct out of pocket reimbursement.*

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by MAC for the reporting period ending 30 June 2017. Refer to Note 3.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for Other financial assets and Assets held for sale which are valued in accordance with the valuation policy applicable.

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

(b) Premium Revenue

The earned portion of premiums received and receivable, is recognised as revenue. Premium is treated as earned from the date of attachment of risk.

Effective 1 July 2016, the provision of CTP insurance policies in South Australia is provided by four approved private insurers. Accordingly MAC no longer has an entitlement to premiums collected.

(c) Investment Income

Fees and discounts are amortised over the period to which they relate. Interest is taken to income on an earned basis. Investment income is reported after deducting costs and expenses relating to management, operation and maintenance of the investment portfolio.

(d) Outwards Reinsurance

Premiums paid to reinsurers are recognised as an expense in accordance with the pattern of reinsurance service received. Effective 1 July 2016 MAC no longer has a role as a provider of CTP insurance in South Australia and ceased writing new CTP insurance policies from this date.

(e) Claims

Claims expense and a liability for outstanding claims are recognised in respect of the direct insurance and inwards reinsurance businesses. The liability covers claims reported but not yet paid, incurred but not reported (IBNR) claims, the anticipated direct and indirect costs of settling those claims and estimated reinsurance and other insurance recoveries. Claims outstanding are based on average or individual claim file estimates, with IBNRs and settlement costs calculated using statistics from past experience and trends.

- i) *CTP Claims* - The liability for outstanding CTP claims is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation. The expected future payments are discounted to present value at balance date and a margin is included to provide sufficient confidence that the provision is adequate. The outstanding claims liability is subject to actuarial assessment.

A risk margin is added to the outstanding claims provision to increase the probability that the net liability is adequately provided to a sufficiency level of 80%.

- ii) *Other Claims* - In the insurance and inwards reinsurance businesses, delays occur in the notification of information normally used in the calculation of claims provisions. The directors, having due consideration for the nature of the risks involved and any material event that would adversely affect the operating results, have provided an amount for claims in the accounts that is sufficient to cover known events and at the same time, assist to maintain prudential reserves.

(f) Reinsurance and Other Recoveries Receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and IBNRs are recognised as revenue. Recoveries receivable used in the calculation of claims provisions are brought to account where they can be reliably measured. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims.

(g) Unexpired Risk

AASB 1023 'General Insurance Contracts' requires an assessment of the net unearned premium reserve to ensure that it is at least equal to the future claims expense, inclusive of a prudential margin and associated claims management expenses. If this is not so, then additional provisioning is included such that this condition is met.

Effective 1 July 2016, MAC no longer has a role as provider of CTP insurance policies in South Australia. Accordingly no expected future claims relating to the unexpired risk period of unearned premium exist as at 30 June 2016 and 30 June 2017.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

(h) Collection Charges

Costs incurred in obtaining and recording policies of insurance are recognised as collection costs.

Effective 1 July 2016, the provision of CTP insurance policies in South Australia is provided by four approved private insurers. Accordingly MAC no longer collect premiums hence no collection charges are applicable in 2016/17.

(i) Levies and Charges

Levies and charges payable by MAC are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment, which is the Licence Fee payable to Revenue SA.

Effective 1 July 2016, MAC will no longer be liable for payment for levies and charges relating to premium revenue hence no licence fee will be payable to Revenue SA.

(j) Receivables

i) Trade Debtors

For 2015/16, Trade debtors principally related to premiums collected by the Department for Planning, Transport & Infrastructure (DPTI), an agent of MAC, not yet passed over to the MAC Fund. The settlement of these amounts would have occurred within seven working days.

Effective 1 July 2016, MAC no longer collect premiums however the Trade Debtors balance relates to ATO refunds that are receivable at balance date.

ii) Investment Debtors

Investment debtors consists of interest and rental due on other investments.

The collectability of debts is assessed at balance date and specific allowance is made for any doubtful debts. The carrying amount of receivables approximates fair value due to being receivable on demand.

(k) Other Financial Assets

AASB1023 requires that assets backing insurance liabilities are to be measured at fair value with any changes in value taken to the Statement of Comprehensive Income. All assets of an investment nature held by the MAC Fund are considered to be for the purpose of backing insurance liabilities.

i) Unit Trusts

The bulk of MAC's investment portfolio is held with Funds SA, the SA State Government investment body. These investments are held via unit trusts in a range of asset classes. Market quotations are used as the valuation basis for these units.

ii) Property Securities

By market quotations.

iii) Other Investments

Other investments are valued based on current economic conditions, market interest rates and the latest available information on the investments as considered appropriate by the directors.

(l) Assets Held for Sale

In 2015/16, Investment Properties were reclassified to Assets Held for Sale. As at 2016/17 MAC owned the property portfolio with amounts recognised in the Statement of Comprehensive Income for rental income and direct property expenses. Rental income is recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease.

On 31 July 2017 the Direct Property Portfolio was sold. The Assets Held for Sale are recorded at fair value in the Statement of Financial Position with changes in fair value being recognised in the Statement of Comprehensive Income.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

(m) Employee Benefits

A liability for employee benefits has been accrued at 30 June 2017.

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

Salaries and wages, annual leave, SERL and sick leave

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

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

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

Long service leave

The liability for long service leave is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities across the government sector. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

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

Superannuation

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

(n) Taxation

MAC is an income tax exempt organisation pursuant to Section 24AK of the *Income Tax Assessment Act 1936*.

MAC is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, land tax and local government rates.

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

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

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

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST which is payable to the ATO is disclosed separately.

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

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

(o) Payables

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

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

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

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

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

The carrying amount of payables approximates fair value due to amounts owing being payable on demand.

(p) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call.

(q) Provision for Incentive Payments

Liabilities for payment of incentives to Allianz have been accrued at 30 June 2017. Payment of these incentives is based on Allianz's performance in reducing the cost of claims over the 2016/17 financial year, compared to benchmarks in accordance with the terms of the CTP Services Contract.

(r) Rounding

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

(s) Interest in a Jointly Controlled Property

MAC has a 50% interest in a jointly controlled property at 400 George Street, Brisbane. MAC recognises its interest in the jointly controlled property by recognising its share of liabilities, expenses and income from the use and output of the jointly controlled property.

3 CHANGES IN ACCOUNTING POLICIES

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

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

4 NET RESULT	MAC Fund		Consolidated	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Net result is arrived at after crediting and charging the following specific items:				
Credits				
Interest received/receivable	703	2,313	724	2,340
Charges				
Amounts set aside to provide for:				
- Employee benefits	-	-	(28)	215
- Depreciation of property, plant and equipment	-	-	93	290
5 REVENUE				
Premium revenue				
- Direct	-	458,275	-	458,275
	-	458,275	-	458,275
Reinsurance and other recoveries				
- Other	(1,758)	(1,415)	(1,758)	(1,415)
	(1,758)	(1,415)	(1,758)	(1,415)
Investment revenue				
- Interest	685	2,313	724	2,340
- Rentals	45,844	45,734	45,536	45,330
- Profit/(loss) – investments realised	902	2,089	902	2,089
	47,431	50,136	47,162	49,759
Investment market value movements – unrealised gains/(losses)				
- Fixed Interest	6,037	34,056	6,037	34,056
- Equities	57,453	(5,592)	57,453	(5,592)
- Properties	(25,774)	(16,730)	(25,774)	(16,730)
- Other	59,143	66,830	59,143	66,830
	96,859	78,564	96,859	78,564
Other revenue				
- Foreign exchange gains/(losses)	-	-	2	(2)
- Road Safety Funding	-	-	13,525	-
- Other	65	-	67	8
	65	-	13,594	6
	142,597	585,560	155,857	585,189

In 2016/17, MAC and the SA CTP Regulator entered into a 3 year Memorandum of Administrative Arrangement (MoAA). Amongst other things, this MoAA establishes a funding arrangement whereby the CTP Regulator provides funding to MAC to continue to perform its road safety function. The funding provided in 2016/17 was \$13.5 million.

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

6 CLAIMS EXPENSE	MAC Fund		Consolidated	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Claims paid*	254,549	305,808	254,549	305,808
Claims provision adjustment	(520,051)	(185,532)	(520,051)	(185,532)
Adjustment for economic assumptions	5,001	19,881	5,001	19,881
	(260,501)	140,157	(260,501)	140,157

* Claims paid includes supplies and services paid or payable to SA Government entities as follows:

Ambulance and helicopter rescue services	-	6,095	-	6,095
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7 OTHER UNDERWRITING EXPENSES

Management expenses *	35,015	50,677	47,101	50,454
Levies and charges **	-	62,433	-	62,433
Collection charges **	-	11,500	-	11,500
	35,015	124,610	47,101	124,387

* Management expenses include supplies and services paid or payable to SA Government entities as follows:

Corporate support services	-	-	289	225
Road safety supplies & services	-	2,198	2,561	2,198

** In relation to Levies and charges and Collection charges, the entire amount was paid or payable to SA Government entities.

8 CONTRIBUTIONS

Rescue Retrieval & Aviation Services Base	-	12,000	-	12,000
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In 2015/16, MAC and SA Health entered into a Memorandum of Administrative Arrangement (MoAA) for MAC to provide \$12 million in funding less any amounts previously expended by MAC for this project. The payment was required by the Treasurer pursuant to sections 25(5)(d) and 26(2) of the *Motor Accident Commission Act 1992*. Payment was made to the Department of Health and Ageing in the 2015/16 financial year.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

9 RECEIVABLES	MAC Fund		Consolidated	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current				
Trade debtors	2,901	2,729	3,035	2,744
Other debtors	-	-	67	7
	2,901	2,729	3,102	2,751
Investment debtors	493	892	494	893
Allowance for Doubtful Debts	-	(162)	-	(162)
	493	730	494	731
Total Current Receivables	3,394	3,459	3,596	3,482
Non-Current				
Payroll Advance	500	500	-	-
Total Non-Current Receivables	500	500	-	-
Total Receivables	3,894	3,959	3,596	3,482

Investment debtors consists of interest and rent due on investments.

Other debtors generally arise from transactions outside the usual operating activities of the Commission.

Movement in the allowance for doubtful debts

Carrying amount at beginning of year	(162)	-	(162)	-
Increase in the allowance	(9)	(162)	(9)	(162)
Amounts written off	171	-	171	-
Amounts recovered during the year	-	-	-	-
Carrying amount at end of year	-	(162)	-	(162)

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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10 UNEXPIRED RISK LIABILITY

	MAC Fund		Consolidated	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Opening balance	-	16,168	-	16,168
Unexpired risk expense	-	(16,168)	-	(16,168)
Closing balance	-	-	-	-

Effective 1 July 2016, MAC no longer has a role as provider of CTP insurance policies in South Australia. Accordingly no expected future claims relating to the unexpired risk period of unearned premium exist as at 30 June 2016 and 30 June 2017.

11 REINSURANCE AND OTHER RECOVERIES RECEIVABLE

	MAC Fund		Consolidated	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Expected future recoveries (undiscounted)	5,267	8,423	5,267	8,423
Discount to present value *	(416)	(566)	(416)	(566)
Reinsurance and other recoveries receivable	4,851	7,857	4,851	7,857
Reinsurance and other recoveries receivable				
- Current	958	1,667	958	1,667
- Non-current	3,893	6,190	3,893	6,190
	4,851	7,857	4,851	7,857

*Refer to Note 17(b) for details of the inflation and discount rates used in the determination of this discounting adjustment.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

12 OTHER FINANCIAL ASSETS	MAC Fund		Consolidated	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current				
Fixed interest				
- Cash and deposits	3,981	21,981	3,981	21,981
- Cash - Unit trust	8,042	17,889	8,042	17,889
- Fixed interest - Unit trust	53,374	111,026	53,374	111,026
Equities				
- Australian equities - Unit trust	15,548	37,489	15,548	37,489
- International equities - Unit trust	15,992	36,545	15,992	36,545
Other				
- Absolute return - Unit trust	-	7,037	-	7,037
- MAC infrastructure - Unit trust	26,364	33,534	26,364	33,534
- MAC diversified strategies income - Unit trust	79,265	174,799	79,265	174,799
Total Current Other Financial Assets	202,566	440,300	202,566	440,300
Non-Current				
Fixed interest				
- Cash - Unit trust	32,370	63,376	32,370	63,376
- Fixed interest - Unit trust	214,836	393,326	214,836	393,326
Equities				
- Australian equities - Unit trust	62,581	132,810	62,581	132,810
- International equities - Unit trust	64,368	129,467	64,368	129,467
Other				
- Absolute return - Unit trust	-	24,928	-	24,928
- MAC infrastructure - Unit trust	106,120	118,799	106,120	118,799
- MAC diversified strategies income - Unit trust	319,056	619,255	319,056	619,255
Total Non-Current Other Financial Assets	799,331	1,481,961	799,331	1,481,961
Total Other Financial Assets	1,001,897	1,922,261	1,001,897	1,922,261

MOTOR ACCIDENT COMMISSION
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13 ASSETS HELD FOR SALE	MAC Fund		Consolidated	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	587,900	587,900	587,900	587,900
Capitalised subsequent expenditure	3,374	-	3,374	-
Net loss on revaluation to sale price	(25,774)	-	(25,774)	-
Direct property portfolio	565,500	587,900	565,500	587,900
Amounts recognised in the Statement of Comprehensive Income for investment property held for sale				
Rental income	61,664	58,731	61,356	58,327
Direct operating expenses	(15,820)	(12,997)	(15,820)	(12,997)
Total amount recognised	45,844	45,734	45,536	45,330

In 2015/16, Investment properties were classified as Assets Held for Sale. Amounts are recognised in the Statement of Comprehensive Income for rental income and direct property expenses for these Investment Properties. Commitments under non-cancellable operating leases were also receivable on these properties. Further details in relation to these amounts are included in Commitments Note 23.

Fair value hierarchy

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

Fair value measurements for Assets held for Sale recognised in the Statement of Financial Position are classified as level 2 being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price.

Valuation basis

The Property Portfolio is classified as held for sale and recorded at fair value in the Statement of Financial Position. The sale was completed and finalised on 31 July 2017 for \$565.5m, which is reflected as the fair value at 30 June 2017.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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14 PROPERTY, PLANT AND EQUIPMENT	MAC Fund		Consolidated	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Building Fitout	-	-	1,024	1,012
Accumulated depreciation	-	-	(691)	(611)
	-	-	333	401
Plant and equipment	-	-	125	105
Accumulated depreciation	-	-	(65)	(56)
	-	-	60	49
Other	-	-	38	38
Accumulated depreciation	-	-	(14)	(10)
	-	-	24	28
Total Property Plant and Equipment	-	-	417	478
<i>Building Fitout</i>				
Carrying amount at beginning of year	-	-	401	675
Additions	-	-	11	-
Depreciation	-	-	(79)	(274)
Carrying amount at end of year	-	-	333	401
<i>Plant and equipment</i>				
Carrying amount at beginning of year	-	-	49	55
Additions	-	-	21	12
Disposals	-	-	-	(6)
Depreciation	-	-	(10)	(12)
Carrying amount at end of year	-	-	60	49
<i>Other</i>				
Carrying amount at beginning of year	-	-	28	25
Additions	-	-	-	7
Depreciation	-	-	(4)	(4)
Carrying amount at end of year	-	-	24	28

15 PAYABLES

Current				
Creditors and accruals	2,615	5,102	3,747	5,243

MOTOR ACCIDENT COMMISSION
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16 PREMIUMS HELD FOR OTHER ENTITIES	MAC Fund		Consolidated	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Total Premiums held for other entities	15,089	120,126	15,089	120,126

During 2016/17, MAC was directed by the Minister for Finance in accordance with section 25(5)(a) of the *Motor Accident Commission Act 1992* to make a payment of \$105.0 million to Department of Treasury and Finance for distribution to the approved Insurers and to the South Australian CTP Insurance Regulator. The remainder is payable on such dates and in such instalments as notified to MAC by the Department of Treasury and Finance.

17 OUTSTANDING CLAIMS

a) Expected future claims payments (undiscounted)	1,110,576	1,597,929	1,110,640	1,597,996
Risk margin applied (undiscounted)	168,653	217,551	168,653	217,551
Discount to present value - central estimate	(71,352)	(90,737)	(71,352)	(90,737)
Discount to present value - risk margin applied	(10,599)	(12,415)	(10,599)	(12,415)
Liability for outstanding claims	1,197,278	1,712,328	1,197,342	1,712,395
Current	337,037	323,232	337,039	323,234
Non-current	860,241	1,389,096	860,303	1,389,161
Liability for outstanding claims	1,197,278	1,712,328	1,197,342	1,712,395

On 1 July 2013, a new South Australian CTP Scheme came into effect. The New Scheme embodies a series of scheme reforms designed to improve the Scheme's affordability, deliver a consistent compensation system for those injured in a motor vehicle crash and promote optimal recovery for injured people.

Old Scheme	460,625	789,287	460,625	789,287
New Scheme	736,653	923,041	736,653	923,041
Non-CTP	-	-	64	67
Liability for outstanding claims	1,197,278	1,712,328	1,197,342	1,712,395

b) The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims:

For the succeeding year				
- Inflation rate	5.25%	5.25%	5.25%	5.25%
- Discount rate	2.25%	1.80%	2.25%	1.80%
For subsequent years				
- Inflation rate	5.25%	5.25%	5.25%	5.25%
- Discount rate	2.25%	1.80%	2.25%	1.80%

c) The weighted average expected term to settlement of the outstanding claims from balance date is estimated to be:

	2.9 years	3.2 years	2.9 years	3.2 years
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The method of calculating outstanding claims is set out in detail in Note 2(e).

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

17 OUTSTANDING CLAIMS (continued)

The claims provision for the MAC Fund as at 30 June 2017 has been reviewed by the Fund Actuary, Gillian Harrex BEc, FIAA of Finity Consulting Pty Limited. The directors have adopted a central estimate plus a risk margin as determined by the Actuary to achieve an 80% probability that the provision will prove adequate. An overall risk margin of 15% (2016: 14%) has been applied and is derived using the framework established by the Actuaries Institute. As MAC only includes one class of insurance, no allowance has been made for diversification of insurance classes.

For Inwards Reinsurance, the directors have adopted an internal valuation of the estimated outstanding liability.

Sensitivity analysis

There is considerable uncertainty inherent in the estimation of the outstanding claims liability and in particular there is uncertainty arising from:

- a) The MAC Fund now being in run-off. It is possible that claims development patterns may change now that MAC has ceased underwriting new business. This could be due to differences that emerge in terms of claims management and also the potential for the external claims environment (which is now influenced by four insurers who have entered the market) having an impact on Scheme performance.
- b) The actual impact of the CTP legislative changes effective 1 July 2013 (i.e. "New Scheme") and the commencement of the LSS from 1 July 2014. The key risks include:
 - * Estimating the claims frequency and number of claim settlements.
 - * Estimating the impact of tort reform on the ultimate cost of claims.
- c) Large claims, given their potential to cause significant one-off effects on the valuation and the difficulty in estimating future large claims experience, particularly as the Scheme goes further into run-off. The claims which are harder to resolve will become a greater proportion of the overall liability.
- d) Future inflation and superimposed inflation. While the claims environment has been benign for some years, it is possible for some level of claims cost escalation to emerge as service providers (particularly solicitors) adjust to the New Scheme environment, and as the new market participants start to exert influence on the market overall.

The relative financial sensitivity of the outstanding claims provision to changes in the key valuation assumptions is illustrated in the following table. The sensitivities shown should not be considered to be equally probable, nor are they mutually exclusive. Furthermore, they do not represent upper or lower bounds of all possible outcomes.

Change in Model parameters	Impact on Provision	
	%	\$'000
Change in Valuation Assumption:		
For accidents from 1 July 2011 to 30 June 2013:		
- average size of attritional claims increased by 15%	0.9	10,900
- average size of large claims increased by 33%	7.1	84,900
For accidents after 30 June 2013:		
- number of claims involving a settlement decreased by 15%	(6.8)	(81,600)
- average size of attritional claims increased by 15%	7.6	90,400
- average size of large claims increased by 33%	3.7	44,400
Number of large claims increased by 12% to 84	0.6	7,100
Discount rate increased from 2.25% to 2.75% p.a.	(1.4)	(16,400)
Discount rate decreased from 2.25% to 1.75% p.a.	1.4	17,000
Superimposed inflation rate increased from 2.0% to 3.0% p.a.	2.5	30,300
Superimposed inflation rate decreased from 2.0% to 1.0% p.a.	(2.4)	(28,800)

MOTOR ACCIDENT COMMISSION
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17 OUTSTANDING CLAIMS (continued)

Claims Development

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net ultimate claims cost estimate											
At end of accident year	426,940	444,156	459,249	483,650	492,426	514,693	400,476	338,287	330,164	-	
One year later	394,295	426,282	458,570	469,417	488,162	461,742	373,204	289,240	304,856		
Two years later	397,754	433,527	440,122	466,825	432,909	428,069	316,737	249,295			
Three years later	397,925	411,612	426,006	429,090	422,326	384,174	247,424				
Four years later	394,421	408,503	400,245	402,857	399,451	355,826					
Five years later	383,942	366,346	359,144	390,716	370,748						
Six years later	355,010	336,619	350,019	364,330							
Seven years later	344,165	329,045	352,922								
Eight years later	339,296	328,184									
Nine years later	334,305										
Current est. of net ultimate claims cost	334,305	328,184	352,922	364,330	370,748	355,826	247,424	249,295	304,856	-	
Cumulative payments	(313,464)	(313,770)	(315,647)	(322,908)	(283,773)	(240,855)	(82,425)	(63,837)	(53,709)	-	
Net undiscounted claims liability for the ten most recent accident years	20,841	14,414	37,275	41,422	86,975	114,971	164,999	185,458	251,147	-	917,502
Discount to present value	(1,523)	(1,012)	(7,914)	(2,486)	(5,537)	(6,831)	(8,558)	(9,151)	(16,768)	-	(59,780)
Net discounted claims liability for the ten most recent accident years	19,318	13,402	29,361	38,936	81,438	108,140	156,441	176,307	234,379	-	857,722
Reconciliation											
Net discounted claims liability for accident years 2006/07 and prior											78,362
Claims handling expenses											98,289
Risk margin											158,054
Net outstanding claims liability											1,192,427
Gross outstanding claims liability on the statements of financial position											1,197,278
Reinsurance and other recoveries on outstanding claims liability											(4,851)
Net outstanding claims liability											1,192,427

Estimated timing of net cash outflows resulting from recognised insurance liabilities is provided below. This is provided instead of a maturity analysis for financial liabilities showing remaining contractual liabilities.

Estimated timing of net cashflows

	Up to 1 year	2 - 4 years	5 - 9 years	10 - 14 years	15 - 19 years	20 - 24 years	Later	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000
Liabilities	336,079	601,424	182,728	52,930	18,828	438	-	1,192,427

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

18 INSURANCE CONTRACTS RISK MANAGEMENT

A key risk from operating in the CTP insurance industry is the exposure to insurance risk arising from underwriting CTP insurance contracts. CTP insurance policies transfer risk to the insurer by indemnifying the policyholders against adverse affects arising from the occurrence of specified uncertain future events. The risk is that the actual amount of claims to be paid in relation to CTP insurance policies will be different to the amount estimated at the time CTP premiums are determined. MAC is exposed to this risk because the price for a policy must be set before the losses relating to the insurance cover are known. Hence the insurance business involves inherent uncertainty. MAC also faces other risks relating to the conduct of the CTP insurance business including financial and capital risks.

A fundamental part of the overall risk management strategy is the effective governance and management of the risks that impact the amount, timing and uncertainty of cash flows arising from insurance policies.

Risk Management objectives and policies for mitigating insurance risk

The risk management activities can be broadly separated into underwriting (acceptance and pricing of risk), claims management and investment management. The objective of these risk management functions is to secure the longer term financial performance of the CTP insurance scheme.

The key policies in place to mitigate risks arising from underwriting CTP insurance policies include the following:

Pricing

Actuarial models are used which combine historical and projected data to calculate premiums and monitor claims patterns. The data used includes historical pricing, investment behaviours and claims experience and takes account of current market and Scheme trends. All data used is subject to thorough verification and reconciliation processes.

A recommendation in relation to the premiums which MAC may charge is made by an independent body, the Third Party Premiums Committee (TPPC), taking into account actuarial models and having regard to MAC's obligation to seek to achieve and maintain a sufficient level of solvency in the Fund. The CTP Premiums to be charged for each financial year are ultimately determined by Cabinet.

Whilst premiums are set based on assumptions regarding the behaviour of claims and investments during the year, actual claims and investment behaviour often varies from these assumptions and the results achieved by MAC can therefore be affected by a range of factors over which MAC has limited or no control, including variations in economic factors (such as inflation and interest rates) and investment market volatility and directions by the Minister to charge premiums other than those recommended by the TPPC.

As MAC ceased writing new CTP insurance policies from 1 July 2016, its involvement in the premium setting process has now ended.

Reinsurance

The use of reinsurance is to limit exposure to large single claims and accumulation of claims that arise from the same event or the accumulation of similar events. This includes the monitoring of reinsurers' credit risk to control exposure to potential reinsurance counterparty default. All reinsurers are required contractually to have a minimum security Standard & Poor's rating of "A -". MAC's reinsurance broker monitors the Standard & Poor's rating of all panel reinsurers.

As MAC ceased writing new CTP insurance policies from 1 July 2016, its involvement in the premium setting process has now ended.

Claims management

Claim determination is managed by Allianz on behalf of MAC by their employees who possess the requisite degree of experience and competence. It is MAC's policy to respond and settle claims quickly whenever possible and to pay claims fairly, in accordance with the law and in line with community and Government expectations.

MOTOR ACCIDENT COMMISSION
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18 INSURANCE CONTRACTS RISK MANAGEMENT (continued)

Investment management

Assets and liabilities are managed so as to correlate the expected pattern of claims payments with the assets that are held to back insurance liabilities. Further information regarding investment related risks is contained in the Notes to the Accounts.

Risk reduction

MAC looks to reduce the frequency and severity of claims by investing in community road safety initiatives.

19 PROVISIONS	MAC Fund		Consolidated	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current				
Employee benefits				
- Annual leave	-	-	235	371
- SERL	-	-	16	6
Incentive payments*	13,264	11,413	13,264	11,413
Total Current Provision	13,264	11,413	13,515	11,790
Non-Current				
Employee benefits				
- LSL	-	-	557	875
Total Non-Current Provisions	-	-	557	875
Total Provisions	13,264	11,413	14,072	12,665

*Refer to Note 2(q) for detail on the Incentive payments.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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20 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES

(1) Categorisation of Financial Instruments

The total carrying amount for all financial assets is equal to the fair value of these assets. The direct property portfolio are classified as Assets Held for Sale as detailed in note 13 and Property, Plant and Equipment in note 14 are classed as level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price. All assets held in unit trusts as detailed in note 12 are classed as a combination of level 1 assets being the fair value that reflect unadjusted quoted prices in active markets for identical assets and level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price.

(2) Derivative Financial Instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from assets, liabilities, reference rates or indices. Derivatives are used to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. MAC's external investment managers 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 MAC's external investment managers, for the purposes described above.

The fair values of all derivative positions as at 30 June 2017 are incorporated within the Statement of Financial Position.

(3) Foreign Exchange Risk

As part of a diversified investment strategy, MAC has funds invested in international markets. MAC's external currency overlay manager for international equities, hedges 50% of the developed markets exposure within international equities to Australian dollars. MAC's external fund managers for International Fixed Income Securities and Infrastructure Securities hedge 100% of this exposure back to Australian dollars. The Global Macro Absolute Return investment is denominated in Australian dollars, but the external fund manager takes active currency positions.

MOTOR ACCIDENT COMMISSION
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20 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)

(4) Interest Rate Risk

Interest Rate risk is the risk that movements in interest rates will cause the value of fixed interest securities and the discount rate used to calculate MAC's outstanding liabilities, to deviate from expectations. MAC manages interest rate risk by using an appropriate asset / liability duration matching strategy and ensuring that asset allocations for different investment products are consistent with the time horizon for each. The risk is also managed through the use of specialist external investment managers.

MAC's exposure to interest rate risk, repricing maturities and the weighted average effective interest rates on financial assets and liabilities at balance date is set out below:

	Floating interest rate \$'000	Non-interest bearing \$'000	Total carrying amount \$'000
30 June 2017			
Financial Assets			
Cash and deposits	18,571	-	18,571
Receivables	-	3,596	3,596
Cash - Unit trust*	-	40,412	40,412
Fixed interest - Unit trust*	-	268,210	268,210
Australian equities - Unit trust*	-	78,129	78,129
International equities - Unit trust*	-	80,360	80,360
Other - Unit trust*	-	530,805	530,805
Total financial assets	18,571	1,001,512	1,020,083
Weighted average interest rate %	2.00%		
Financial Liabilities			
Creditors	-	3,747	3,747
Total financial liabilities	-	3,747	3,747
Net financial assets	18,571	997,765	1,016,336

* Investments are held in unit trusts which are exposed directly to market risk only. Any income derived is directly attributable to market movements.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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20 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)

(4) Interest Rate Risk (continued)

The entity's exposure to interest rate risk, repricing maturities and the weighted average effective interest rates on financial assets and liabilities at balance date is set out below:

	Floating interest rate \$'000	Non-interest bearing \$'000	Total carrying amount \$'000
30 June 2016			
Financial Assets			
Cash and deposits	38,642	-	38,642
Receivables	-	3,482	3,482
Cash - Unit trust*	-	81,265	81,265
Fixed interest - Unit trust*	-	504,352	504,352
Australian equities - Unit trust*	-	170,299	170,299
International equities - Unit trust*	-	166,011	166,011
Other - Unit trust*	-	978,353	978,353
Total financial assets	38,642	1,903,762	1,942,404
Weighted average interest rate %	2.28%		
Financial Liabilities			
Creditors	-	5,243	5,243
Total financial liabilities	-	5,243	5,243
Net financial assets	38,642	1,898,519	1,937,161

* Investments are held in unit trusts which are exposed directly to market risk only. Any income derived is directly attributable to market movements.

Reconciliation of Net Financial Assets	2017 \$'000	2016 \$'000
Net Financial Assets	1,016,336	1,937,161
Add - Reinsurance and other recoveries receivable	4,851	7,857
- Assets held for sale	565,500	587,900
- Property, plant and equipment	417	478
Less - Premiums held for other entities	(15,089)	(120,126)
- Outstanding claims	(1,197,342)	(1,712,395)
- Provisions	(14,072)	(12,665)
Net Assets	360,601	688,210

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

20 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)

(5) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised Financial Instruments

The carrying amounts of financial assets included in the Statement of Financial Position represent MAC's maximum exposure to credit risk to these assets. MAC minimises concentrations of credit risk by undertaking diversified transactions in a large number of investments through underlying external fund managers. MAC is not materially exposed to any individual counterparty.

The credit risk relating to investments is monitored and assessed, and maximum exposures are limited. The following table provides information regarding the credit risk exposure relating to MAC's interest bearing investments, based on S&P's counterparty credit ratings.

30 June 2017		A1+	A1				
Short Term		Allocation %					
Cash		88.0	12.0				
Cash & Deposits		100	-				
		AAA	AA	A	BBB	Below BBB	Not Rated
Long Term				Allocation %			
Fixed interest		80.6	19.3	0.1	-	-	-
Diversified strategies income		27.5	20.3	27.6	20.1	3.50	1.0
30 June 2016		A1+	A1				
Short Term		Allocation %					
Cash		89.8	10.2				
Cash & Deposits		81.3	18.7				
		AAA	AA	A	BBB	Below BBB	Not Rated
Long Term				Allocation %			
Fixed interest		74.6	25.4	-	-	-	-
Diversified strategies income		29.1	20.7	20.0	25.4	4.70	0.1

The MAC Cash portfolio is predominately comprised of highly liquid Floating Rate Deposits.

The MAC Fixed Interest Liability Matched portfolio is comprised of Australian Government and Semi Government Bonds.

The MAC Diversified Strategy Income (DSI) portfolio is predominantly invested in investment grade securities (rated BBB and above by S&P).

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

20 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)

(6) Market Risk

In addition to the effects of movements in interest rates, the Fund is exposed to market risks influencing investment valuations.

Market risk represents the risk that investment returns generated by different financial markets will be volatile and will deviate from long term expectations over the short / medium term. Market risk analysis is conducted on a regular basis and is conducted on a total portfolio basis.

In managing market risks, MAC aims to reduce the impact of short term fluctuations on the reported result for the period. Over the longer term, sustained variations in economic variables will have an ongoing impact on the reported results. MAC manages the risk of financial market volatility through ensuring a diversity of exposures to different financial markets and sub-markets and via an asset liability matching process.

The estimated financial impact of changes in interest rates and in the value of equities is shown in the following table. It should be noted that the financial impact on MAC's reported total comprehensive result and equity are the same.

	Movement in Variable %	Financial Impact	
		2017 \$'000	2016 \$'000
Interest rates	(1.0)	24,628	60,906
	(0.5)	11,682	29,107
	0.5	(10,418)	(26,415)
	1.0	(19,573)	(50,139)
Australian equity markets	(10)	(7,813)	(17,030)
	(5)	(3,906)	(8,515)
	(1)	(781)	(1,703)
	5	3,906	8,515
	10	7,813	17,030
International equity markets	(10)	(8,036)	(16,601)
	(5)	(4,018)	(8,301)
	(1)	(804)	(1,660)
	5	4,018	8,301
	10	8,036	16,601

Changes in Australian and International Equities markets will proportionally affect the values of the Australian and International Equity investments. The currency movement of the AUD will also have an impact on the International Equities portfolio.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

20 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)

(7) Liquidity and Cash Flow Risk

Liquidity risk is the risk that MAC will not be able to meet its financial obligations as they fall due. The liquidity risks associated with the need to satisfy requests for business cash outflows are mitigated by maintaining sufficient cash reserves to satisfy usual levels of demand. MAC ensures that a very high proportion of the Fund is invested in securities that are actively traded and highly liquid. Liquidity risks are further minimised through trading with approved exchanges and counterparties. An outstanding liabilities cash flow matching process has also been implemented to assist the business in managing future cash flow requirements.

21 NET CLAIMS INCURRED

Current period claims relate to risks borne in the current reporting period. Prior period claims relate to a reassessment of the risks borne in all previous reporting periods.

	MAC Fund 30-Jun-17			Consolidated 30-Jun-17		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Gross claims incurred and related expenses						
- undiscounted	-	(281,701)	(281,701)	-	(281,701)	(281,701)
Reinsurance and other recoveries						
- undiscounted	-	1,907	1,907	-	1,907	1,907
Net claims incurred						
- undiscounted	-	(279,794)	(279,794)	-	(279,794)	(279,794)
Discount and discount movement						
- gross claims incurred	-	21,200	21,200	-	21,200	21,200
Discount and discount movement						
- reinsurance and other recoveries	-	(149)	(149)	-	(149)	(149)
Net discount movement	-	21,051	21,051	-	21,051	21,051
Net claims incurred	-	(258,743)	(258,743)	-	(258,743)	(258,743)

	30-Jun-16			30-Jun-16		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Gross claims incurred and related expenses						
- undiscounted	395,989	(323,848)	72,141	395,989	(323,848)	72,141
Reinsurance and other recoveries						
- undiscounted	(1,898)	3,801	1,903	(1,898)	3,801	1,903
Net claims incurred						
- undiscounted	394,091	(320,047)	74,044	394,091	(320,047)	74,044
Discount and discount movement						
- gross claims incurred	(26,296)	94,313	68,017	(26,296)	94,313	68,017
Discount and discount movement						
- reinsurance and other recoveries	114	(603)	(489)	114	(603)	(489)
Net discount movement	(26,182)	93,710	67,528	(26,182)	93,710	67,528
Net claims incurred	367,909	(226,337)	141,572	367,909	(226,337)	141,572

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

22 RETURN OF CAPITAL	MAC Fund		Consolidated	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Return of capital	688,200	448,500	688,200	448,500

During 2016/17, MAC made a payment of \$688.2 million to the State Government's Highways Fund, an account maintained by the Department of Planning, Transport and Infrastructure in accordance with the *Public Finance and Audit Act 1987*. The payment was a return of net surplus capital as required by the Treasurer pursuant to section 26(2) of the *Motor Accident Commission Act 1992*.

23 COMMITMENTS

Operational expenditure commitments

*Road Safety and Sponsorship expenditure **

Committed but not provided for and payable:

Not later than one year	-	2,458	2,990	2,458
Later than one year but no later than five years	-	2,995	1,857	2,995
	-	5,453	4,847	5,453

* The amounts indicated above are contract amounts and do not allow for CPI adjustments.

Management agreements

MAC's contractual arrangements with Allianz Australia Insurance Limited (AAL) for the provision of the claims management operations of the Fund currently expires on 30 June 2018. The initial contract arrangement with AAL commenced on 1 July 2003. The base management fee payable each year to AAL until the contract period concludes has been supplemented with an Incentive Fee arrangement. AAL is part of Allianz AG.

MAC does not have any contingent liabilities or commitments in relation to the jointly controlled property at 400 George Street, Brisbane.

Operating Leasing arrangements

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

Not later than one year	4,719	50,968	4,719	50,968
Later than one year but no later than five years	-	156,113	-	156,113
Later than five years	-	62,747	-	62,747
	4,719	269,828	4,719	269,828

These operating leases are not recognised in the Statement of Financial Position as assets.

The non-cancellable leases are property leases with numerous tenants for a variety of terms where the rent is payable monthly in advance. Provisions within the lease agreements typically require the minimum lease payments to be increased by various methods including CPI, fixed increases and to market. In some cases options exist to renew the leases at the end of the term of the leases. With the sale of MAC's Direct Property Portfolio on 31 July 2017 the leasing arrangements are for July 2017 only based on the calculations provided by independent valuers engaged by MAC to determine the commitments under non-cancellable operating leases as at 30 June 2017. In determining those figures, our valuers have based their figures consistent with AASB117.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

24 AUDITORS' REMUNERATION

	MAC Fund		Consolidated	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Audit fees paid / payable to the Auditor-General's Department relating to work performed under the PFAA	99	104	110	115

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

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of 'Other underwriting expenses'. (refer to Note 7)

25 CASH FLOW RECONCILIATION

1) Reconciliation of cash

Cash	11,545	15,216	14,590	16,661
Deposits at call	3,981	21,981	3,981	21,981
	15,526	37,197	18,571	38,642

2) Reconciliation of net cash inflows/(outflows) from operating activities

Total comprehensive result	359,417	313,555	360,591	313,407
Add/(less) non-cash items:				
- Depreciation	-	-	93	290
- Loss/(profit) on disposal of assets	-	-	-	6
- (Profit) Loss on sale and revaluation to market value of investments	(96,859)	(78,726)	(96,859)	(78,726)
Increase in taxes payable and provisions	-	-	39	(35)
Net cash inflows/(outflows) from operating activities before changes in assets and liabilities	262,558	234,829	263,864	234,942
Change in assets and liabilities				
- (Inc)/dec in investments	1,020,590	256,394	1,021,861	256,394
- (Inc)/dec in other assets	-	348	-	348
- (Inc)/dec in receivables	(29)	17,347	(281)	17,654
- Inc/(dec) in payables and provisions	492	(18,877)	(198)	(18,836)
- Inc/(dec) in outstanding claims	(512,045)	(162,661)	(512,048)	(162,658)
- Inc/(dec) in unearned premium	(105,037)	(26,344)	(105,037)	(26,344)
Net cash (outflows)/inflows from operating activities	666,529	301,036	668,161	301,500

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

26 SUFFICIENT LEVEL OF SOLVENCY

Section 13A of the *Motor Accident Commission Act 1992* states that the MAC Fund has a sufficient level of solvency if the amount in the Fund equals or exceeds an amount calculated in accordance with the formula published in the South Australian Government Gazette. A revised formula to calculate a Sufficient Level of Solvency was issued by the Treasurer on 7 December 2016 and subsequently published in The South Australian Government Gazette. The formula specifies that the MAC Fund will have a Sufficient level of Solvency if its assets exceed the sum of the Fund's liabilities. Prior year calculations are based on the previous formula which specifies that the MAC Fund will have a Sufficient Level of Solvency if its assets exceed the sum of the Fund's liabilities plus 10% of the outstanding claims liabilities, 10% of the premium liabilities provision and 10% of the investments in equities and property.

As at 30 June 2017, the Sufficient Solvency target was \$1,228.2 million (2016: \$2,131.1 million) which compares to the Fund's assets of \$1,587.7 million (2016: \$2,537.2 million) and this equates to 129.3% (2016: 119.1%) of the required level of Sufficient Solvency.

In recent years, there has been significant movement in MAC's solvency, which demonstrates the potential volatility of the MAC Fund on an annual basis and its dependence on strong investment market returns to achieve and maintain Sufficient Solvency.

The Sufficient Solvency Target has created a prudential reserve for MAC which has allowed it to remain in a strong net asset position (\$359.4m). The Sufficient Solvency Target has therefore fulfilled its role of underpinning the viability of the MAC Fund.

The accounts are prepared on a going concern basis after consideration of the following issues:

- The Fund reports positive net assets as at 30 June 2017;
- The Fund's investment strategy ensures adequate liquidity to meet liabilities as and when they fall due;
- The Fund's investment strategy is designed to assist in maintaining Sufficient Solvency; and
- MAC is supported by a Government guarantee pursuant to sub-section 21(1) of the *Motor Accident Commission Act 1992*.

27 CONTINGENT ASSETS AND LIABILITIES

Insurance underwriting by its very nature has liabilities contingent upon certain events occurring which give rise to a claim under the policy of insurance. All of the known and expected claims in respect of events that have occurred up to balance date have been accounted for in the preparation of these financial statements. Occasionally certain claims may require legal judgment to determine a suitable settlement. The result of such legal arbitration may result in a liability to the Commission different to that incorporated in these accounts.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

28 CONSULTANTS

The number and value of consultancies paid /payable that fell within the following bandwidths during the financial year were:

	MAC			
	2017		2016	
	Number	\$'000	Number	\$'000
Below \$10,000	6	30	9	57
Above \$10,000	17	2,933	20	4,000

29 DIRECTORS' REMUNERATION

The names of each person holding the position of director of MAC during the financial year are:

J Brennan (Appointed 1 July 2016)	R A Korotcoff	A G Tisato
K O Foley	G McCarthy (Appointed 1 July 2016)	
W M Griggs	S M Rapo (Appointed 1 July 2016)	

	2017	2016
	\$'000	\$'000
Total remuneration paid or payable, or otherwise made available, to all directors of MAC from the Commission:	316	339

The number of directors of MAC whose remuneration received or receivable from the Commission falls within the following bands:

	2017	2016
	Number	Number
\$20,000 - \$29,999	1	-
\$30,000 - \$39,999	2	3
\$40,000 - \$49,999	3	2
\$50,000 - \$59,999	-	1
\$70,000 - \$79,999	1	1

Directors of MAC receive remuneration in the form of statutory fees. In accordance with the Department of the Premier & Cabinet circular No. 016, government employees did not receive any remuneration from the Commission for Board or Committee duties during the financial year.

Superannuation and retirement benefits

Directors of MAC are not paid superannuation or retirement benefits for their activities associated with MAC other than the amount set aside by the Commission in compliance with the Superannuation Guarantee Charge of \$27,000 (2016: \$29,000).

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

30 REMUNERATION OF EMPLOYEES

	MAC	
	2017	2016
	\$'000	\$'000
Salaries & Wages	4,056	4,601
LSL	(52)	168
Annual Leave	(3)	45
SERL	27	2
Employment on-costs - superannuation	346	385
Employment on-costs - other	248	282
Board & committee fees	316	340
Total employee remuneration expense	4,938	5,823

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

	Number	Number
\$147,001 - \$157,000	2	-
\$157,001 - \$167,000	-	1
\$167,001 - \$177,000	-	2
\$187,001 - \$197,000	1	1
\$197,001 - \$207,000	1	-
\$227,001 - \$237,000	1	-
\$237,001 - \$247,000	-	1
\$247,001 - \$257,000	-	2
\$267,001 - \$277,000	-	1
\$297,001 - \$307,000	1	1
\$367,001 - \$377,000	-	1
\$657,001 - \$667,000*	1	-
Total number of employees	7	10

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$1.9 million (2016 \$2.4 million).

* This includes payments on termination.

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

31 RELATED PARTIES

MAC is a statutory authority and is wholly owned and controlled by the Crown.

Related parties of MAC include all key management personnel and their close family members, all Cabinet Ministers and their close family members and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Key Management Personnel

The Key management personnel of MAC include the Ministers, the governing board members and senior management (including the Acting Chief Executive Officer) who have responsibility for the strategic direction and management of MAC. The compensation detailed below excludes salaries and other benefits the Minister for Road Safety and Minister for Finance receives, the Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

Compensation	2017	2016
	\$'000	\$'000
Salaries and other short-term employee benefits	1,257	na
Post-employment benefits	117	na
Other Long-term employee benefits	383	na
Termination benefits	208	na

Transactions with Key Management Personnel and other related parties

There were no transactions requiring disclosure for key management personnel and related parties.

Directors' transactions with the Commission

The directors of MAC may hold positions in other organisations in which MAC invests or provides funding in the ordinary course of business. The terms and conditions of those transactions with director-related entities are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms' length basis.

Transactions with other government entities

There were no significant transactions with government entities. All transactions have been adequately disclosed elsewhere in the financial statements.

32 EVENTS AFTER REPORTING DATE

On 6 July 2017, following Cabinet approval, the MAC Board approved the sale of the Direct Property Portfolio. The Property Portfolio is classified as held for sale and recorded at fair value in the Statement of Financial Position. Subsequent to year end, the sale was completed and finalised on 31 July 2017 for \$565.5m with the gross proceeds after costs deposited with Funds SA and invested on behalf of MAC.

MOTOR ACCIDENT COMMISSION CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the attached general purpose financial statements for the Motor Accident Commission:

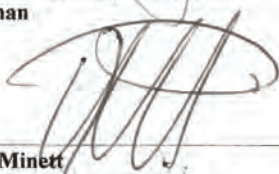
- 1 comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- 2 are in accordance with the accounts and records of the Commission; and
- 3 present a true and fair view of the financial position of the Commission as at 30 June 2017 and the results of its operation and cash flows for the financial year.

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

Signed in accordance with a resolution of the directors.



William (Bill) Griggs AM ASM
Chairman



Trudy Minett
Acting Chief Executive Officer



Marianne Panzarino CPA
Manager, Finance

Adelaide

Dated the 25th day of August 2017



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To the Chairman Motor Accident Commission

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 28(3) of the *Motor Accident Commission Act 1992*, I have audited the financial report of the Motor Accident Commission for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Motor Accident Commission as at 30 June 2017, 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.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman, the Acting Chief Executive Officer and the Manager, Finance.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Motor Accident Commission. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the Chief Executive Officer and the Board of Directors for the financial report

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

The Board of Directors are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

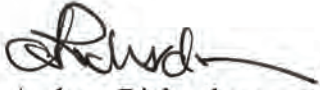
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer and the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'Andrew Richardson', with a stylized flourish at the end.

Andrew Richardson

Auditor-General

20 September 2017

Museum Board

Financial report
for the year ended
30 June 2017

Museum Board
Statement of Comprehensive Income
for the year ended 30 June 2017

		2017	2016
	Note	\$'000	\$'000
Expenses			
Staff benefits	4	8 353	8 379
Supplies and services	5	5 030	4 738
Accommodation and facilities	6	2 810	2 806
Depreciation and amortisation	7	2 167	2 087
Net loss from disposal of non-current assets	8	-	12
Grants		97	151
Total expenses		18 457	18 173
Income			
Grants	9	1 167	1 005
Fees and charges	10	468	551
Donations and bequests		571	875
Donations of heritage assets		558	2 881
Sponsorships	11	311	284
Interest and investment income	12	137	155
Resources received free of charge	13	663	619
Recoveries		30	133
Net gain from the disposal of non-current assets	8	6	-
Sale of goods		1 425	1 315
Other income	14	574	448
Total Income		5 910	8 266
Net cost of providing services		12 547	9 907
Revenues from SA Government			
Recurrent operating grant		11 132	10 691
Capital grant		488	765
Total revenues from SA Government	15	11 620	11 456
Net result		(927)	1 549
Other comprehensive income:			
<i>Items that will not be reclassified to net result</i>			
Change in asset revaluation surplus	20	4 416	(78 794)
Total other comprehensive income		4 416	(78 794)
Total comprehensive result		3 489	(77 245)

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

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

Museum Board
Statement of Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash	16	3 440	3 824
Receivables	17	881	916
Inventories		136	119
Total current assets		4 457	4 859
Non-current assets			
Receivables	17	4	10
Property, plant and equipment	18	37 899	39 553
Intangibles	19	86	89
Heritage collections	20	293 627	288 141
Investments	21	1 823	1 662
Total non-current assets		333 439	329 455
Total assets		337 896	334 314
Current liabilities			
Payables	22	888	965
Staff benefits	23	985	895
Provisions	24	16	6
Total current liabilities		1 889	1 866
Non-current liabilities			
Payables	22	320	164
Staff benefits	23	1 676	1 779
Provisions	24	29	12
Total non-current liabilities		2 025	1 955
Total liabilities		3 914	3 821
Net assets		333 982	330 493
Equity			
Asset revaluation surplus		196 120	191 704
Retained earnings		137 862	138 789
Total equity		333 982	330 493

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments 25

Contingent assets and liabilities 28

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

Museum Board
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2017

	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total equity \$'000
Balance at 30 June 2015	270 498	137 240	407,738
Net result for 2015-16	-	1,549	1,549
Changes in asset revaluation surplus	(78 794)	-	(78,794)
Total comprehensive result for 2015-16	(78 794)	1 549	(77 245)
Balance at 30 June 2016	191 704	138 789	330 493
Net result for 2016-17	-	(927)	(927)
Changes in asset revaluation surplus	4 416	-	4 416
Total comprehensive result for 2016-17	4 416	(927)	3 489
Balance at 30 June 2017	196 120	137 862	333 982

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

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

Museum Board
STATEMENT OF CASH FLOWS
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash outflows			
Staff benefits		(8 348)	(7 984)
Supplies and services		(4 286)	(3 980)
Accommodation and facilities		(2 810)	(2 806)
Grants		(97)	(151)
GST payments to the ATO		(59)	(137)
Cash used in operations		(15 600)	(15 058)
Cash inflows			
Grant contributions		1 167	1 005
Fees and charges		468	551
Donations and bequests		571	875
Sponsorships		311	184
Interest and investment income		114	137
Recoveries		30	133
Sale of goods		1 431	1 506
Other		687	224
Cash generated from operations		4 779	4 615
Cash flows from SA government			
Recurrent operating grant		11 132	10 691
Capital grant		488	765
Cash generated from SA government		11 620	11 456
Net cash provided by operating activities		799	1 013
Cash flows from investing activities			
Cash outflows			
Purchases of heritage collections		(512)	(10)
Purchases of property, plant and equipment and intangibles		(510)	(895)
Purchases of investments		(161)	(880)
Cash used in investing activities		(1 183)	(1 785)
Net cash used in investing activities		(1 183)	(1 785)
Net increase/(decrease) in cash and cash equivalents		(384)	(772)
Cash and cash equivalents at the beginning of the period		3 824	4 596
Cash and cash equivalents at the end of the period	16	3 440	3 824

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

Museum Board

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

1 Objectives of the Museum Board

The functions of the Museum Board (the Board), as prescribed under the *South Australian Museum Act 1976*, are as follows:

- to undertake the care and management of the Museum
- to manage the premises of the Board
- to carry out, or promote, research into matters of scientific and historical interest
- to accumulate and care for objects and specimens of scientific or historical interest
- to accumulate and classify data in regard to any such matters
- to disseminate information of scientific or historical interest
- to advise the Minister on matters relating to scientific or historical research or collections
- to carry out any other functions assigned to the Board by this or any other Act or the Minister.

2 Significant accounting policies

a) Statement of compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*. The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements) and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

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

b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with 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
 - b) staff targeted voluntary separation package information
 - c) staff whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly, by the entity to those staff
 - d) Board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

Museum Board
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

2 Significant accounting policies (continued)

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

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

c) Reporting entity

The Board is a statutory authority of the State of South Australia, established pursuant to the *South Australian Museum Act 1976*.

The consolidated financial statements have been prepared by combining the financial statements of the Museum Board, SA Museum Foundation Incorporated and the SA Museum Foundation Fund in accordance with AASB 10 *Consolidated Financial Statements*.

In forming the view that the SA Museum Foundation Incorporated and SA Museum Foundation Fund (the 'entities') are controlled, the Board considered its involvement with the entities and determined that its substantive rights give them the current ability to direct the major relevant activities of the entities and is exposed or has rights to variable returns from its involvement, contributing to the furtherance of the Board's objectives.

The activities of the entities are not material and therefore a full consolidated presentation has not been adopted.

Consistent accounting policies have been applied and all inter-entity balances and transactions arising within the consolidated entity have been eliminated in full.

d) Source of Funds

The financial statements are presented under the assumption of ongoing financial support being provided to the Board by the State Government. The Board's principal source of funds consists of grants from the State Government. In addition, the Board also receives monies from sales, admissions, donations, bequests, sponsorships, interest and investment income and other receipts, and uses the monies for the achievement of its objectives. Bequests, donations and grants can only be used in accordance with the terms and conditions attributable.

e) Comparative Information

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

f) Rounding

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

g) Taxation

The Museum Board, the SA Museum Foundation Incorporated and SA Museum Foundation Fund are not subject to Income Tax. The Board is liable for Payroll Tax, Fringe Benefits Tax (FBT), Goods and Services Tax (GST), Emergency Services Levy, Land Tax Equivalents and Local Government Rate Equivalents.

The Museum Board, the SA Museum Foundation Incorporated and SA Museum Foundation Fund are separate registered GST entities.

The Board is a deductible gift recipient member of the Arts South Australia GST Group. GST relating to the activities of the Board are not recognised as a receivable/payable in the Statement of Financial Position as Arts South Australia is responsible for the remittance and collection of GST on behalf of the GST group.

Museum Board

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

2 Significant accounting policies (continued)

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

- When the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO); in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable.
- receivables and payables, which are recognised net of the amount of GST.

The net GST receivable by the SA Museum Foundation Incorporated and the SA Museum Foundation Fund is disclosed in note 17. 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.

h) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June 2017 and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June 2017.

Note disclosure is made about events between 30 June 2017 and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June 2017 and which may have a material impact on the results of subsequent years.

i) Current and non-current classification

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.

j) Non-current Assets

Non-current assets are initially recorded at cost or at value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value after allowing for accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

All non-current tangible assets with a value equal to or in excess of \$10 000 are capitalised.

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.

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 is not depreciated.

Museum Board
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

2 Significant accounting policies (continued)

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

Class of asset	Useful life (years)
Buildings and improvements	15-100
Plant and Equipment	
Exhibition	10
Other	3-25
Computer Equipment	3-5
Intangibles	5-10

Exhibitions with a life of less than one year are expensed.

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

Revaluation of non-current assets

All non-current assets are held at fair value and a revaluation of non-current assets or a group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

Land and buildings and heritage collections are re-valued at least every six years. If at any time management considers the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any 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.

Land and buildings

Land and buildings have been valued at fair value. Valuations of land and buildings were determined as at 30 June 2014 by certified independent valuer Valcorp Australia Pty Ltd.

Plant and equipment

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

Intangible assets

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

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

Fair value measurement – Non-financial assets

In determining fair value, the Board has taken into account the characteristics of the asset and the asset's highest and best use.

Museum Board

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

2 Significant accounting policies (continued)

The Board'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 Board 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.

Heritage collections

The Board's Heritage collections, except for the foreign archaeology, were revalued as at 30 June 2016 using the valuation methodology outlined below in accordance with fair value principles adopted under AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*. The foreign archaeology collection was revalued as at 30 June 2017.

These valuations were undertaken by Aon Risk Solutions.

The collections were broadly valued on the following basis:

Collection	Method of valuation
Heritage collections	Market approach
Natural history collections	Cost approach

Heritage collection status applies to those collections where an established market exists.

Natural history collections have been valued at fair value on the basis of the cost of fieldwork, preparation and documentation to replace the material in its present condition.

Heritage collections deemed to have market value are Australian Aboriginal ethnology, foreign ethnology, Australian polar collection, social/industrial history collection, mineralogy, museum library, archives/artworks, rare books and public programs.

Natural history collections valued at cost of recovery are the Australian biological tissue bank, marine invertebrates, malacology, ichthyology, palaeontology, arachnology, entomology, ornithology, the Australian helminthological collection, archaeology, mammalogy and herpetology.

The public programs collection is a new collection which was valued for the first time in the 30 June 2016 valuation. This collection consists of both the Waterhouse Art Prize collection and the ANZANG nature photography collection.

The valuations of heritage collections deemed to have market value were carried out by the following recognised industry experts:

Collection	Industry expert
Australian Aboriginal ethnology	D Davidson
Foreign ethnology	D Davidson
Australian polar collection	H Miller & P Tinslay
Archaeology	H Miller
Mineralogy	J Alford
Archives	H Miller & P Tinslay
Museum library	P Tinslay
Public Programs	H Miller
Social/Industrial History	J Munroe

Museum Board
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

2 Significant accounting policies (continued)

Collections deemed to be culturally sensitive, including human remains or items which are secret and sacred to Aboriginal communities have not been included within the current valuation and are considered at zero valuation. These collections are human biology and secret sacred material.

Impairment

The Board holds its property, plant and equipment, heritage collections, and intangible assets for their service potential (value in use).

All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any costs of disposal would be negligible, accordingly the recoverable amount will be close to or greater than fair value. The Board also expects for all other non-current tangible assets that any costs of disposal will be negligible and the recoverable amount to be close to or greater than fair value.

k) Liabilities

Staff benefits

These benefits accrue for staff as a result of services provided up to the reporting date that remain unpaid.

Long-term staff benefits are measured at present value and short term staff benefits are measured at nominal amounts.

Salaries 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 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 staff 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 staff up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of staff departures and periods of service. These assumptions are based on employee/staff data over SA Government entities.

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

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience.

l) Unrecognised contractual commitments and contingent assets and liabilities

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

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

Museum Board

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

3 New and revised accounting standards and policies

The Board did not voluntarily change any of its accounting policies during 2016-17.

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 2017.

AASB 16 *Leases* will apply for the first time for the year to reporting periods beginning on or after 1 January 2019. The amended standard introduces a single accounting model for lessees, eliminating the distinction between operating and finance leases.

The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease payments will no longer be expensed in the Statement of Comprehensive Income on a straight line basis. Rather, they will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will be recognised as an expense.

It is anticipated that there will be a marginal impact on net result due to recognition of depreciation and interest on lease liabilities as expenses.

The classification of cash flows will be affected as operating lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively. Currently, operating lease payments are presented as operating cash flows and recorded as commitments, which are not captured in the Statement of Financial Position.

The Board has not yet quantified the impact of applying AASB 16 *Leases* to its operating lease arrangements and the resulting impact on the Statement of Comprehensive Income, the Statement of Financial Position and the unrecognised contractual commitments disclosure in note 25.

AASB 15 *Revenue from Contracts with Customers* will replace the existing AASB 118 *Revenue* and applies to reporting periods beginning on or after 1 January 2019. AASB 15 *Revenue from Contracts with Customers* introduces a five step process for revenue recognition with the core principle being to recognise revenue 'when control of a good or service transfers to a customer'. This is effectively when performance obligations have been met, rather than the former model of 'where the risk and rewards of ownership reside'. AASB 15 *Revenue from Contracts with Customers* will generally result in increased disclosures.

The changes in revenue recognition requirements may result in changes to the timing and amount of revenue from sales of the Board's goods and services. Some revenue may need to be deferred to a later reporting period to the extent that the Board has received cash but has not yet met the associated performance obligations.

AASB 1058 *Income of Not-for-Profit Entities* applies to reporting periods beginning on or after 1 January 2019 and will replace a number of income recognition requirements under AASB 1004 *Contributions*. The timing of income recognition depends on whether a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity. Where there is no liability to be recognised under another standard, or the liability is less than the fair value of the asset received then revenue is recognised.

The Board has not yet quantified the impact of applying AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* and the resulting impact on the Statement of Comprehensive Income.

Museum Board
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

4 Staff benefits

	2017	2016
	\$'000	\$'000
Salaries and wages	6 436	6 194
Long service leave	108	371
Annual leave	561	522
Skills and experience retention leave	36	36
Staff on-costs - superannuation	684	674
Staff on-costs - other	354	353
Board fees	17	22
Other staff related expenses	87	46
TVSPs *	70	161
Total staff benefits	8 353	8 379

	2017	2016
	\$'000	\$'000
TVSPs		
Amounts paid during the reporting period to separated staff:		
TVSPs paid	-	161
Annual leave, LSL and SERL paid to those staff	-	75
	-	236
Recovery from the Department of Treasury and Finance	-	-
Net cost to the Board	-	236

*An employee accepted a TVSP offer on/before 30 June 2017 but the payment was not processed until July 2017. The total TVSP owed to this employee was \$70 000. This amount is recognised in accrued salaries and wages within note 23 staff benefits. The termination payments owing for this TVSP total \$14 000. These amounts will be included as part of the 2017-18 TVSP disclosure.

	2017	2016
	No	No
The number of staff who received a TVSP during the reporting period was	-	2
Total	-	2

Remuneration of staff

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

	2017	2016
	No	No
\$267 001 - \$277 000	-	1
\$277 001 - \$287 000	1	-
Total	1	1

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these staff for the year was \$281 000 (\$274 000).

Museum Board
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

5 Supplies and services

	2017	2016
	\$'000	\$'000
Cost of goods sold	521	498
Insurance and risk	357	373
Marketing	555	414
Administration	426	470
IT	322	302
Maintenance	79	130
Artlab conservation work	358	412
Business services charge	238	207
Collections	208	64
Exhibitions	348	743
Research	263	275
Travel and accommodation	280	155
Contractors	111	70
Motor vehicle expenses	77	49
Minor equipment	46	66
Fees	40	85
Consultants	44	33
Hire, rent and equipment	31	31
Audit fees	57	64
Legal Fees	6	3
OHS&W	18	26
Bad and doubtful debts	12	20
Salaries charged externally	208	5
Other	425	243
Total supplies and services	5 030	4 738

Consultants

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

	2017	2017	2016	2016
	\$'000	No	\$'000	No
Below \$10 000	29	14	33	7
Above \$10 000	15	1	-	-
Total	44	15	33	7

6 Accommodation and facilities

	2017	2016
	\$'000	\$'000
Accommodation	816	851
Facilities	1 052	999
Security	942	956
Total accommodation and facilities	2 810	2 806

Museum Board
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

7 Depreciation and amortisation

	2017	2016
	\$'000	\$'000
Depreciation		
Buildings and improvements	1 480	1,427
Plant and equipment	659	639
Computer equipment	3	3
Total depreciation	2 142	2 069
Amortisation		
Intangibles	25	18
Total amortisation	25	18
Total depreciation and amortisation	2 167	2 087

8 Net gain/(loss) from the disposal of non-current assets

	2017	2016
	\$'000	\$'000
Plant and equipment		
Proceeds from disposal	6	-
Less: Net book value of assets disposed	-	-
Net gain from disposal of plant and equipment	6	-
Heritage assets		
Proceeds from disposal	-	-
Less: Net book value of assets disposed	-	(12)
Net loss from disposal of heritage assets	-	(12)
Total assets		
Proceeds from disposal	6	-
Less: Net book value of assets disposed	-	(12)
Total net gain (loss) from disposal of total assets	6	(12)

9 Grants

	2017	2016
	\$'000	\$'000
State Government	278	191
General	341	479
Commonwealth	548	335
Total Grants	1 167	1 005

Museum Board
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

10 Fees and charges

	2017	2016
	\$'000	\$'000
Admissions	266	337
Functions	82	121
Fees for service	83	61
Other	37	32
Total fees and charges	468	551

11 Sponsorships

	2017	2016
	\$'000	\$'000
Cash sponsorships	311	184
In-kind sponsorships	-	100
Total sponsorships	311	284

12 Interest and investment income

	2017	2016
	\$'000	\$'000
Interest	56	95
Investment income	81	60
Total interest and investment income	137	155

13 Resources received free of charge

	2017	2016
	\$'000	\$'000
Business services charge	305	207
Artlab conservation work	358	412
Total resources received free of charge	663	619

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

Under an arrangement with Arts South Australia and Artlab Australia, divisions of the Department of State Development, Artlab Australia receives SA Government appropriation to perform conservation services on the Board's heritage collections. The value of this work performed is recognised as resources received free of charge in income and a corresponding amount included as conservation work expenditure in note 5 Supplies and services.

Under an arrangement with the Services Division of the Department of State Development, financial services and human resources are provided free of charge to the Board. The value of these services is recognised as resources received free of charge in income and a corresponding amount included as a business services charge in note 5 Supplies and services.

Museum Board
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

14 Other income

	2017	2016
	\$'000	\$'000
Lab consumable recharge	97	160
Commission and royalties	-	67
Competition entry fees	47	75
Exhibition hire	135	11
Other	295	135
Total other income	574	448

15 Revenues from SA Government

	2017	2016
	\$'000	\$'000
Recurrent operating grant	11 132	10 691
Capital grant	488	765
Total revenues from SA Government	11 620	11 456

16 Cash and cash equivalents

Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash held for investments and cash at bank. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

	2017	2016
	\$'000	\$'000
Deposits with the Treasurer	1 005	1 092
Cash other	2 428	2 728
Cash on hand	7	4
Cash as recorded in the Statement of Financial Position	3 440	3 824

Deposits with the Treasurer

Deposits with the Treasurer are a combination of funds held in the "Museum Board Account", an account held with the Treasurer of South Australia pursuant to section 21 of the *Public Finance and Audit Act 1987*, and funds held in the Arts South Australia Operating Account. This account is held with the Treasurer of South Australia pursuant to section 8 of the *Public Finance and Audit Act 1987*. There are stipulated restrictions on the use of the Zimmerman Bequest component of the cash funds available \$109 000 (\$109 000) and the Bonython Bequest component of the cash funds available \$22 000 (\$22 000).

Cash other

Cash other is term deposits, cash held for investments with Hood Sweeney and cash held by the SA Museum Foundation Incorporated and SA Museum Foundation Fund. There are restrictions in place for the cash accounts for Norman B Tindale Memorial, Mawson Collection, Thyne Reid and High Noon \$507 000 (\$415 000).

Cash on hand

Cash on hand includes petty cash and floats.

Museum Board
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

16 Cash and cash equivalents (continued)

Interest rate risk

Cash and cash equivalents are recorded at nominal value. Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Board are held in the section 21 interest bearing account titled the "Museum Board Account" and in the accounts identified in cash other.

17 Receivables

	2017	2016
	\$'000	\$'000
Current receivables		
Receivables	558	669
Less: Allowance for doubtful debts	(37)	(35)
Prepayments	31	35
Accrued income	56	33
GST receivable	273	214
Total current receivables	881	916
 Prepayments	 4	 10
Total non-current receivables	4	10
 Total receivables	 885	 926

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables and prepayments are non-interest bearing.

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

Allowance for doubtful debts

The allowance for doubtful debts is recognised when there is objective evidence that a receivable is impaired. Bad and doubtful debts expense has been recognised in supplies and services in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2017	2016
	\$'000	\$'000
Carrying amount at the beginning of the period	35	15
Increase in allowance	13	20
Decrease in allowance	(11)	-
Carrying amount at the end of the period	37	35

Museum Board
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

18 Property, plant and equipment

	2017 \$'000	2016 \$'000
Land, buildings and improvements		
Land at fair value	5 300	5 300
Buildings and improvements at fair value	73 881	73 881
Less: Accumulated depreciation	(45 707)	(44 227)
Total land, buildings and improvements	33 474	34 954
Plant and equipment		
Plant and equipment at cost (deemed fair value)	9 835	9 383
Less: Accumulated depreciation	(5 411)	(4 788)
Total plant and equipment	4 424	4 595
Computer equipment		
Computer equipment at cost (deemed fair value)	48	49
Less: Accumulated depreciation	(47)	(45)
Total computer equipment	1	4
Total property, plant and equipment	37 899	39 553

Valuation of Assets

The valuation of land and buildings was performed by a certified independent valuer from Valcorp Australia Pty Ltd as at 30 June 2014. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

	Land	Buildings & improv.	Work in progress	Plant and equip	Comp equip	Total Tangible assets	Computer software	WIP Intangible assets	Total Intangible assets
2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	5 300	29 654	-	4 595	4	39 553	89	-	89
Additions	-	-	488	-	-	488	-	22	22
Disposals	-	-	-	(35)	-	(35)	-	-	-
Accumulated depreciation on disposals	-	-	-	35	-	35	-	-	-
Depreciation and amortisation	-	(1 480)	-	(659)	(3)	(2 142)	(25)	-	(25)
Transfer between asset classes	-	-	(488)	488	-	-	22	(22)	-
Carrying amount at the end of the period	5 300	28 174	-	4 424	1	37 899	86	-	86

Museum Board
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

19 Intangible Assets

	2017	2016
	\$'000	\$'000
Computer software	155	132
Less accumulated amortisation	(69)	(43)
Total computer software	86	89
Total intangible assets	86	89

20 Heritage collections

	2017	2016
	\$'000	\$'000
Social/industrial history	587	587
Australian Aboriginal ethnology	35 140	35 017
Foreign ethnology	26 980	26 980
Australian polar collection	8 953	8 953
Archives/artwork	18 339	18 339
Archaeology	14 434	10 018
Mineralogy	18 984	18 789
Malacology	5 258	5 258
Australian biological tissue bank	6 586	6 582
Australian helminthological collection	16 025	15 991
Entomology	53 418	53 418
Arachnology	6 320	6 319
Marine invertebrates	29 484	29 332
Ichthyology	3 450	3 435
Herpetology	4 281	4 270
Ornithology	9 124	9 103
Mammalogy	16 310	16 310
Palaeontology	14 946	14 932
Rare books	4 260	4 260
Collections on instalments	500	-
Public program collection	248	248
Total heritage collections	293 627	288 141

Museum Board
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

20 Heritage collections (continued)

Reconciliation of carrying amounts of heritage collections

	Opening balance	Additions	Revaluations	Closing balance
2017	\$'000	\$'000	\$'000	\$'000
Social/industrial history	587	-	-	587
Australian Aboriginal ethnology	35 017	123	-	35 140
Foreign ethnology	26 980	-	-	26 980
Australian polar collection	8 953	-	-	8 953
Archives/artwork	18 339	-	-	18 339
Archaeology	10 018	-	4 416	14 434
Mineralogy	18 789	195	-	18 984
Malacology	5 258	-	-	5 258
Australian biological tissue bank	6 582	4	-	6 586
Australian helminthological collection	15 991	34	-	16 025
Entomology	53 418	-	-	53 418
Arachnology	6 319	1	-	6 320
Marine invertebrates	29 332	152	-	29 484
Ichthyology	3 435	15	-	3 450
Herpetology	4 270	11	-	4 281
Ornithology	9 103	21	-	9 124
Mammalogy	16 310	-	-	16 310
Palaeontology	14 932	14	-	14 946
Rare books	4 260	-	-	4 260
Collections on instalments	-	500	-	500
Public Program Collection	248	-	-	248
Carrying amount at the end of the period	288 141	1 070	4 416	293 627

21 Investments

	2017	2016
	\$'000	\$'000
Non-current		
Shares and other direct investments in companies	1 823	1 662
Total investments	1 823	1 662

The market value of investments as at 30 June 2017 is \$1.8 million (\$1.6 million).

Of the four investment accounts; Museum Board, Norman B Tindale, Memorial Mawson Collection and Thyne Reid - there are restrictions in place for Norman B Tindale Memorial, Mawson Collection and Thyne Reid relating to funds totalling \$1.2 million (\$1 million).

Museum Board
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

22 Payables

	2017	2016
	\$'000	\$'000
Current payables		
Creditors and accruals	761	840
Staff on-costs	127	125
Total current payables	888	965
Non-current payables		
Creditors and accruals	166	-
Staff on-costs	154	164
Total non-current payables	320	164
Total payables	1 208	1 129

Staff on-costs include Payroll Tax, ReturntoWorkSA levies and superannuation contributions. The Board makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the percentage of the proportion of long service leave taken as leave remains unchanged from the 2016 rate (40%) and the average factor for the calculation of employer superannuation on-cost has changed from the 2016 rate (10.2%) to 10.1% in 2017. These rates are used in the staff on-cost calculation. The net financial impact of these changes in the current financial year is immaterial.

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owing but unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received.

23 Staff benefits

	2017	2016
	\$'000	\$'000
Current		
Annual leave	545	563
Skills and experience retention leave	72	59
Long service leave	188	181
Accrued salaries and wages	180	92
Total current staff benefits	985	895
Non-current		
Long service leave	1 676	1 779
Total non-current staff benefits	1 676	1 779
Total staff benefits	2 661	2 674

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

AASB 119 *Employee Benefits* requires the use of the yield on long term Commonwealth bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has increased from 2016 (2%) to 2017 (2.5%), and the resulting effect is immaterial.

Museum Board
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

23 Staff benefits (continued)

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4.0% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result there is no net financial effect resulting from changes in the salary inflation rate.

24 Provisions

	2017	2016
	\$'000	\$'000
Current		
Provision for workers compensation	16	6
Total current provisions	16	6
Non-current		
Provision for workers compensation	29	12
Total non-current provisions	29	12
Total provisions	45	18
Reconciliation of the provision for workers compensation		
Provision at the beginning of the financial year	18	28
Reductions resulting from re-measurement or settlement without cost	27	(10)
Carrying amount at the end of the period	45	18

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2017 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 estimated cost of ongoing payments to staff as required under current legislation. The Board is responsible for the payment of workers compensation claims.

25 Unrecognised contractual commitments

Operating lease commitments

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial statements, are payable as follows:

	2017	2016
	\$'000	\$'000
Within one year	19	24
Later than one year but not later than five years	39	8
Total operating lease commitments	58	32

The operating lease commitments comprise non-cancellable motor vehicle leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.

Museum Board

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

25 Unrecognised contractual commitments (continued)

Other commitments

	2017	2016
	\$'000	\$'000
No later than one year	1 222	1 049
Later than one year but not later than five years	1 068	217
Total other commitments	2 290	1 266

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

26 Remuneration of board and committee members

Members during the 2017 financial year were:

Museum Board

The Hon Dr J Lomax-Smith AM (Chair)

Prof D Adelson

Ms JH Brown OAM (term expired 11 August 2016)

Ms H Carreker (term expired 22 January 2017)

Ms AJ Duthie (appointed 28 February 2017)

Ms SY Edwards (appointed 28 February 2017)

Mr P Hanlon

Mr A Noble

Mr R Perkins (appointed 7 June 2017)

Mr D Rathman AM PSM

Ms TA Whiting (appointed 14 July 2016)

Aboriginal Advisory Committee

Mr D Rathman AM PSM (Chair)

Mr FH Lampard OAM

Ms S Miller

Mr T Sansbury (appointed 15 December 2016)

Ms E Tongerie (resigned 30 March 2017)

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

	2017	2016
	No	No
\$0 - \$9 999	11	12
Total Number of Members	11	12

Museum Board
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

26 Remuneration of board and committee members (continued)

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, 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 members was \$14 000 (\$24 000).

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

Members of the Museum Foundation Board did not receive remuneration in 2016-17 or 2015-16.

27 Related party disclosure

The Board is a statutory authority established pursuant to the *South Australian Museum Act 1976* and is a wholly owned and controlled entity of the Crown. Related parties of the Board include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

The Board received annual recurrent operating grant of \$11 132 000 from Arts South Australia, a division of the Department of State Development. The operating grant is the primary source of revenue for the Board and disclosed under note 15 .

In addition, the Board receives business services including from the Department of State Development and conservation services from Artlab Australia, a division of the Department of State Development. These services received free of charge are disclosed under note 13 .

Key management personnel

Key management personnel of the Board include the Minister of the Arts, the members of the Museum Board and the Director of the South Australian Museum, all who have responsibility for the strategic direction and management of the Board.

Total compensation for the Board's key management personnel was \$300 000. Salaries and other benefits the Minister of the Arts receives are excluded from this total. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

Transactions with key management personnel and other related parties

There were no significant transactions between key management personnel and other related parties.

28 Contingent assets and liabilities

The Board is not aware of any contingent assets or liabilities as at 30 June 2017.

Museum Board
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

29 Financial instruments/financial risk management

Financial risk management

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

The Board's exposure to financial risk (liquidity, credit and market) is insignificant based on past experience and current assessment of risk.

The Board is funded principally from appropriation by the SA Government. The Board works with the Department of Treasury and Finance to determine the cash flows associated with its government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

There have been no changes in risk exposure since the last reporting period.

Categorisation of financial instruments

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

The carrying amounts of each of the following categories of financial assets and liabilities: held-to-maturity investments; loan and receivables; and financial liabilities measured at cost are detailed below.

Category of financial asset and financial liability	Statement of Financial Position line item	Notes	2017	
			Carrying amount \$'000	Fair Value \$'000
Financial assets				
Cash and cash equivalents	Cash	16	3 440	3 440
Loans and receivables	Receivables ⁽¹⁾⁽²⁾	17	548	511
Investments	Investments	21	1 823	1 806
Financial liabilities				
Financial liabilities at cost	Payables ⁽¹⁾	22	1 606	1 606

Category of financial asset and financial liability	Statement of Financial Position line item	Notes	2016	
			Carrying amount \$'000	Fair Value \$'000
Financial assets				
Cash and cash equivalents	Cash	16	3 824	3 824
Loans and receivables	Receivables ⁽¹⁾⁽²⁾	17	637	637
Investments	Investments	21	1 662	1 564
Financial liabilities				
Financial liabilities at cost	Payables ⁽¹⁾	22	797	797

Museum Board
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

29 Financial instruments/financial risk management (continued)

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

² Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 17 as trade and other 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 benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

30 Events after balance date

There are no known events after balance date that affect these financial statements in a material manner.

Museum Board
CERTIFICATION OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

We certify that the attached general purpose financial statements for the Museum Board:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards
- are in accordance with the accounts and records of the Museum Board
- present a true and fair view of the financial position of the Museum Board as at 30 June 2017 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Museum 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.



Brian Oldman
Director
Museum Board
15 September 2017



Dr Jane Lomax-Smith
Chair
Museum Board
September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chair Museum Board

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 16(3) of the *South Australian Museum Act 1976*, I have audited the financial report of the Museum Board for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Museum Board as at 30 June 2017, 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.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair, Museum Board and the Director, Museum Board.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Museum Board. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the Director and the Museum Board for the financial report

The Director 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 the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The Museum Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

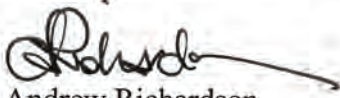
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Director and the Museum Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

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

Andrew Richardson

Auditor-General

21 September 2017

Northern Adelaide Local
Health Network Incorporated

Financial report
for the year ended
30 June 2017

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Staff benefit expenses	4	414,077	412,228
Supplies and services	5	172,143	167,196
Depreciation and amortisation expense	6	26,986	27,067
Net loss from disposal of non-current and other assets	12	77	169
Other expenses	7	2,861	1,698
Total expenses		616,144	608,358
Income			
Revenue from fees and charges	8	25,586	23,835
Grants and contributions	9	3,351	4,035
Interest revenue	10	82	122
Resources received free of charge	11	538	130
Other revenue	13	4,213	3,919
Total income		33,770	32,041
Net cost of providing services		582,374	576,317
Revenue from SA Government			
Revenue from SA Government	14	571,630	563,479
Total revenue from SA Government		571,630	563,479
Net result		(10,744)	(12,838)
Total comprehensive result		(10,744)	(12,838)

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.

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	2017 \$ '000	2016 \$ '000
Current assets			
Cash and cash equivalents	15	18,435	19,330
Receivables	16	8,444	7,665
Inventories	17	1,907	1,972
Total current assets		28,786	28,967
Non-current assets			
Receivables	16	995	1,859
Property, plant and equipment	18	439,901	444,953
Intangible assets	19	92	111
Total non-current assets		440,988	446,923
Total assets		469,774	475,890
Current liabilities			
Payables	21	19,495	15,658
Staff benefits	22	55,089	50,550
Provisions	23	3,274	4,653
Other liabilities	24	3	130
Total current liabilities		77,861	70,991
Non-current liabilities			
Payables	21	2,853	2,897
Staff benefits	22	60,935	59,533
Provisions	23	4,891	7,030
Total non-current liabilities		68,679	69,460
Total liabilities		146,540	140,451
Net assets		323,234	335,439
Equity			
Asset revaluation surplus		5,796	5,796
Retained earnings		317,438	329,643
Total equity		323,234	335,439

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments 25

Contingent assets and liabilities 28

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

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
STATEMENT OF CASH FLOWS
For the year ended 30 June 2017

	Note	2017 \$ '000	2016 \$ '000
Cash flows from operating activities			
Cash outflows			
Staff benefit payments		(411,605)	(403,336)
Payments for supplies and services		(181,308)	(180,195)
Payments for paid parental leave scheme		(1,225)	(1,111)
Other payments		(1,598)	(336)
Cash used in operations		(595,736)	(584,978)
Cash inflows			
Fees and charges		24,585	24,672
Grants and contributions		3,520	3,406
Interest received		82	122
GST recovered		12,306	11,511
Receipts for paid parental leave scheme		1,227	1,078
Other receipts		4,226	3,893
Cash generated from operations		45,946	44,682
Cash flows from SA Government			
Receipts from SA Government		551,765	544,279
Cash generated from SA Government		551,765	544,279
Net cash provided by / (used in) operating activities		1,975	3,983
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(2,856)	(6,862)
Purchase of intangibles		(14)	(74)
Cash used in investing activities		(2,870)	(6,936)
Net cash provided by/(used in) investing activities		(2,870)	(6,936)
Net increase/(decrease) in cash and cash equivalents		(895)	(2,953)
Cash and cash equivalents at the beginning of the period		19,330	22,283
Cash and cash equivalents at the end of the period	29	18,435	19,330
Non-cash transactions	29		

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

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2017

	Note	Asset revaluation surplus \$ '000	Retained earnings \$ '000	Total equity \$ '000
Balance at 30 June 2015		5,606	343,422	349,028
Total comprehensive result for 2015-16		-	(12,838)	(12,838)
Transfer between equity components		190	(190)	-
Transactions with SA Government as owner				
Net assets received from an administrative restructure	27	-	(751)	(751)
Balance at 30 June 2016		5,796	329,643	335,439
Total comprehensive result for 2016-17		-	(10,744)	(10,744)
Transactions with SA Government as owner				
Net assets transferred as a result of an administrative restructure	27	-	(1,461)	(1,461)
Balance at 30 June 2017		5,796	317,438	323,234

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

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

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

1 Objectives of Northern Adelaide Local Health Network

The Northern Adelaide Local Hospital Network Incorporated (the Hospital) is committed to a health system that produces positive health outcomes by focusing on health promotion, illness prevention, early intervention and achieving equitable health outcomes for all South Australians.

The Hospital is part of the SA Health portfolio providing health services for northern Adelaide, and is responsible to the Minister for Health, Minister for Mental Health and Substance Abuse and the Minister for Ageing.

The Hospital is structured to contribute to the outcomes for which the portfolio is responsible by providing hospital-based tertiary care including medical, surgical and other acute services, rehabilitation, mental and palliative health, dental, breast screening and other community health services to veterans and other persons living within the northern Adelaide metropolitan area.

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

The Northern Adelaide Local Health Network Advisory Council Incorporated was established pursuant to the *Health Care Act 2008* (the Act). The Council's functions include advising, monitoring, providing strategic oversight, conferring and making recommendations to the Chief Executive of the Department and Chief Executive Officer of the Hospital. The Council has no powers to direct or make decisions with respect to the management and administration of the Hospital.

1.1 Reporting entity

The Hospital was incorporated on 1 July 2011 under the Act.

The financial statements and accompanying notes include all controlled activities of the Hospital.

The Hospital does not control any other entity and has no interests in unconsolidated structured entities.

The Hospital has administered activities and resources. Transactions and balances relating to administered resources are not recognised as the Hospital's controlled income, expenses, assets and liabilities. As administered items are insignificant in relation to the Hospital's overall financial performance and position, they are disclosed in the Schedule of Administered Financial Statements following the 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 the Hospital's transactions.

2 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*.

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

2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Hospital's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, that have been included in this financial report:
 - a) revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature;
 - b) expenses incurred as a result of engaging consultants;
 - c) staff targeted voluntary separation package (TVSP) information;
 - d) staff whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths), and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those staff; and
 - e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than direct out of pocket reimbursement.

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

2.2 Basis of preparation (continued)

The financial statements have been prepared based on a 12 month period; presented in Australian currency; and have used the historical cost convention unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis. Any transactions in foreign currency are translated into Australian dollars at the exchange rates at the date the transaction occurs.

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, or as otherwise noted.

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

2.4 Rounding

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

2.5 Taxation

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

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

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

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

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

2.6 Continuity of Operations

As at 30 June 2017, the Hospital had working capital deficiency of \$49.075 million (\$42.024 million deficiency). The SA Government is committed and has consistently demonstrated a commitment to the ongoing funding of the Hospital to enable it to perform its functions.

2.7 Events after the reporting period

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

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

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

2.8 Current and non-current classification

The Hospital has a clearly defined 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 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.

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2.9 Non-current assets

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

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

b. Depreciation and amortisation of non-current assets

All non-current assets, that have a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

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

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

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

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

<u>Class of asset</u>	<u>Useful life (years)</u>
Buildings and improvements	40 - 80
Leasehold improvements	Remaining term of lease or estimated useful life of improvement whichever is shorter.
Plant and equipment:	
• Medical, surgical, dental and biomedical equipment and furniture	5 - 15
• Computing equipment and software	3 - 5
• Other plant and equipment	3 - 25
Intangibles	5 - 10

c. Revaluation of non-current assets

All non-current tangible assets are valued at written down cost (a proxy for fair value)

The Hospital revalues all land, buildings and site improvements triennially via a Certified Practicing Valuer. A triennial revaluation of other non-current assets by a Certified Practicing Valuer is only performed when the assets fair value at the time of acquisition is greater than \$1 million, and the estimated useful life exceeds three years.

If at any time, management considers that the carrying amount of an asset greater than \$1 million materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Non-current tangible assets that are acquired between revaluations are held at cost, until the next valuation, when they are revalued to fair value.

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

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

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

2.9 Non-current assets (continued)

d. Impairment

The Hospital holds its property, plant and equipment and intangible assets for their service potential (value in use). All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any costs of disposal would be negligible, accordingly the recoverable amount will be closer to or greater than fair value. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. The amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets, an impairment loss is offset against the revaluation surplus for that class of assets, to the extent that the impairment loss does not exceed the amount in the respective asset revaluation surplus.

e. Intangible assets

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

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

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

f. Fair value measurement

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

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

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

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

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

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

2.10 Liabilities - Staff benefits

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

Salaries, wages, annual leave, SERL and sick leave

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

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

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

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2.10 Liabilities - Staff benefits (continued)

Long service leave

The liability for LSL was determined through an actuarial assessment undertaken by Mercer Consulting (Australia) Pty Ltd, in accordance with AASB 119 *Employee Benefits*.

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

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

2.11 Equity

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

3 New and revised accounting standards and policies

The Hospital did not voluntarily change any of its accounting policies during 2016-17.

Accounting Standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Consolidated Entity for the period ending 30 June 2017. The Hospital has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Hospital, except as outlined below.

Reference	Title and date of Standard application	Summary	Impact on financial statements	Application date for the Hospital
AASB 15	<i>Revenue from Contracts with Customers</i> 1 January 2019	AASB 15 is the new standard for revenue recognition and replaces AASB 111 <i>Construction Contracts</i> and AASB 118 <i>Revenue</i> . It establishes a comprehensive framework for determining whether, how and when revenue is recognised. The principle in the new standard is 'when control of a good or service transfers to a customer' rather than 'when the risk and rewards of ownership reside'.	SA Health is currently assessing the impact of AASB 15 and has identified there could be a potential impact on the timing of the recognition of revenue from fees and charges. At this stage, SA Health is not able to estimate the impact of AASB 15 on its financial statements. SA Health will make a more detailed assessment of the impact over the next 12 months.	1 July 2019

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3 New and revised accounting standards and policies (continued)

Reference	Title and date of Standard application	Summary	Impact on financial statements	Application date for the Hospital
AASB 1058	<i>Income of Not-for-Profit Entities</i> 1 January 2019	This standard clarifies and simplifies the income recognition requirements that apply to not-for-profit entities in conjunction with AASB 15. AASB 15 and 1058 will supersede the majority of income recognition requirements relating to public sector not-for-profit entities, previously in AASB 1004. The timing of income recognition depends on whether a transaction gives rise to a liability or other performance obligation or a contribution by owners related to an asset received by the entity. AASB 1058 applies when a not-for-profit entity receives volunteer services or enters into other transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives.	SA Health is currently assessing the impact of AASB 1058 and has identified there could be a potential impact on the timing of the recognition of grant revenue and disclosures relating to volunteer services, whether recognised or not. At this stage, SA Health is not able to estimate the impact of AASB 1058 on its financial statements. SA Health will make a more detailed assessment of the impact over the next 12 months.	1 July 2019
AASB 16	<i>Leases</i> 1 January 2019	This new standard introduces a single accounting model for lessees. The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset, and a lease liability representing its obligations to make lease payments. In effect, the majority of leases currently classified as operating leases will be reported on the Statement of Financial Position. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117	This new standard is a significant change from the past 30 years of accounting for leases. It will required the Hospital to record almost all operating leases arrangements on the Statement of Financial Position. There will be significant work for the Hospital to report these assets and liabilities due to the large scale of it's leasing activities. The Hospital has not yet quantified the impact on the Statement of Comprehensive Income or the Statement of Financial Position of applying AASB 16 to its current operating lease arrangements.	1 July 2019

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4 Staff benefit expenses	2017	2016
	\$'000	\$'000
Salaries and wages	339,203	325,349
TVSP (refer below)	137	575
Long service leave (LSL)	4,701	15,303
Annual leave	33,664	31,283
Skills and experience retention leave (SERL)	1,224	1,229
Staff on-costs - superannuation*	34,126	32,946
Workers compensation	(815)	3,651
Board and committee fees	64	77
Other staff related expenses	1,773	1,815
Total staff benefit expenses	414,077	412,228

* The superannuation employment on-cost charge represents the Hospital's contribution to superannuation plans in respect of current services of the Hospital's current employees. The Department of Treasury and Finance (DTF) centrally recognises the superannuation liability in the whole-of-government financial statements.

	2017	2016
	\$'000	\$'000
Targeted voluntary separation packages (TVSPs)		
Amount paid during the reporting period to separated staff:		
TVSPs	137	575
Annual leave, LSL and SERL paid to those employees	80	236
Net cost to the Hospital	217	811

Number of staff who received a TVSP during the reporting period	2	7
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*TVSP recoveries from DTF are to be recognised when the Hospital obtains control over the funds associated with the TVSP recovery or the right to receive the TVSP recovery from DTF. This will generally be upon receipt of the funds or obtaining written confirmation/substantiation from DTF that provides a right to receive the funds associated with the TVSP recovery.

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4 Staff benefit expenses (continued)

Remuneration of staff

The number of staff whose remuneration received or receivable falls within the following bands:	2017 No.	2016 No.
\$145,000 - \$147,000*	na	11
\$147,001 - \$157,000	36	35
\$157,001 - \$167,000	34	27
\$167,001 - \$177,000	16	18
\$177,001 - \$187,000	23	12
\$187,001 - \$197,000	19	6
\$197,001 - \$207,000	7	12
\$207,001 - \$217,000	6	10
\$217,001 - \$227,000	6	11
\$227,001 - \$237,000	8	8
\$237,001 - \$247,000	13	8
\$247,001 - \$257,000	9	9
\$257,001 - \$267,000	7	7
\$267,001 - \$277,000	7	4
\$277,001 - \$287,000	7	6
\$287,001 - \$297,000	9	3
\$297,001 - \$307,000	7	9
\$307,001 - \$317,000	4	5
\$317,001 - \$327,000	6	7
\$327,001 - \$337,000	12	4
\$337,001 - \$347,000	10	7
\$347,001 - \$357,000	3	6
\$357,001 - \$367,000	7	8
\$367,001 - \$377,000	10	4
\$377,001 - \$387,000	5	6
\$387,001 - \$397,000	3	4
\$397,001 - \$407,000	7	10
\$407,001 - \$417,000	3	3
\$417,001 - \$427,000	3	1
\$427,001 - \$437,000	2	6
\$437,001 - \$447,000	6	4
\$447,001 - \$457,000	3	3
\$457,001 - \$467,000	3	2
\$467,001 - \$477,000	4	1
\$477,001 - \$487,000	1	3
\$487,001 - \$497,000	4	3
\$497,001 - \$507,000	4	3
\$507,001 - \$517,000	2	1
\$517,001 - \$527,000	3	-
\$527,001 - \$537,000	-	4
\$537,001 - \$547,000	1	3
\$547,001 - \$557,000	1	1
\$557,001 - \$567,000	-	3
\$567,001 - \$577,000	1	-
\$577,001 - \$587,000	1	2
\$587,001 - \$597,000	1	1
\$617,001 - \$627,000	-	1
\$627,001 - \$637,000	1	-
\$637,001 - \$647,000	1	1
\$647,001 - \$657,000	2	-
\$657,001 - \$667,000	1	2
\$667,001 - \$677,000	2	1
\$677,001 - \$687,000	1	2

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4 Staff benefit expenses (continued)	2017	2016
Remuneration of staff	No.	No.
\$687,001 - \$697,000	-	1
\$697,001 - \$707,000	-	2
\$707,001 - \$717,000	1	-
\$717,001 - \$727,000	1	-
\$727,001 - \$737,000	1	1
Total	335	312

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2015-16.

Total remuneration received or due and receivable by staff included above:	2017		2016	
	No.	\$'000	No.	\$'000
Medical (excluding Nursing) remuneration	300	89,017	281	84,618
Executive remuneration	4	961	7	1,369
Nursing remuneration	29	4,610	21	3,243
Non-medical (i.e. administration) remuneration	2	446	3	520
Total	335	95,034	312	89,750

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

5 Supplies and services

	2017	2016
	\$'000	\$'000
Administration	645	574
Advertising	199	77
Communication	764	618
Computing	4,901	4,523
Contractors	286	306
Contractors - agency staff	13,120	16,946
Consultants	188	72
Contract of services	182	117
Drug supplies	7,083	7,053
Electricity, gas and fuel	4,203	4,511
Fee for service	5,677	6,225
Food supplies	3,707	3,915
Housekeeping	22,793	22,439
Insurance	5,672	5,363
Internal SA Health SLA payments	4,525	2,270
Interstate patient transfers	-	12
Legal	153	94
Medical, surgical and laboratory supplies	50,824	46,938
Minor equipment	1,865	1,160
Motor vehicle expenses	186	228
Occupancy rent and rates	5,493	5,954
Patient transport	6,135	5,111
Payments to Shared Services SA	2,401	2,377
Postage	840	733
Printing and stationery	2,277	2,327
Rental expense on operating lease	787	980
Repairs and maintenance	9,586	7,683
Security	5,991	6,489
Staff training and development	5,622	5,591
Staff travel expenses	163	280
Other supplies and services	5,875	6,230
Total supplies and services	172,143	167,196

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5 Supplies and services (continued)

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

Professional indemnity and general public insurance

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

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2017		2016	
	No.	\$'000	No.	\$'000
Below \$10,000	3	22	4	21
Above \$10,000	5	166	2	51
Total paid/payable to consultants engaged	8	188	6	72

6 Depreciation and amortisation expense

	2017	2016
	\$'000	\$'000
Buildings and improvements	22,577	22,764
Medical, surgical, dental and biomedical equipment	3,715	3,675
Other plant and equipment	242	255
Leasehold improvements	425	353
Intangible assets	27	20
Total depreciation and amortisation	26,986	27,067

7 Other expenses

	2017	2016
	\$'000	\$'000
Bad and doubtful debts	1,076	99
Bank fees and charges	18	19
Donated assets expense	-	1,362
Assets transferred to the Department	1,276	-
Other*	491	218
Total other expenses	2,861	1,698

Donated assets expense includes transfer of property, plant and equipment and intangible assets and is recorded as expenditure at their fair value.

*Audit fees paid or payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$0.264 million (\$0.201 million). No other services were provided by the Auditor-General's Department.

8 Revenue from fees and charges

	2017	2016
	\$'000	\$'000
Ambulance transport	3	-
Fines, fees and penalties	60	55
Insurance recoveries	15	75
Patient and client fees	14,591	12,403
Private practice fees	2,490	3,347
Recoveries	5,362	5,186
Residential and other aged care charges	793	899
Other user charges and fees	2,272	1,870
Total fees and charges	25,586	23,835

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9 Grants and contributions

	2017	2016
	\$'000	\$'000
Commonwealth grants and donations	112	151
Commonwealth aged care subsidies	1,334	1,768
Other SA Government grants and contributions	78	78
Private sector grants and contributions	1,827	2,038
Total grants and contributions	3,351	4,035

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

The grants received are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Restrictions on contributions received

Of the \$3.351 million (\$4.035 million) received in 2016-17 for grants and contributions, \$2.787 million (\$3.381 million) was provided for specific purposes, such as research and associated activities.

10 Interest revenue

	2017	2016
	\$'000	\$'000
Bank interest	-	2
Interest on Special Purpose Funds (SPF)	82	120
Total interest revenue	82	122

11 Resources received free of charge

	2017	2016
	\$'000	\$'000
Land and buildings	494	-
Plant and equipment	44	130
Total resources received free of charge	538	130

Resources received free of charge include property, plant and equipment are recorded at their fair value.

12 Net gain/(loss) from disposal of non-current and other assets

	2017	2016
	\$'000	\$'000
Land and buildings:		
Net book value of assets disposed	-	(142)
Net gain/(loss) from disposal of land and buildings	-	(142)
Plant and equipment:		
Net book value of assets disposed	(71)	(27)
Net gain/(loss) from disposal of plant and equipment	(71)	(27)
Intangibles:		
Net book value of assets disposed	(6)	-
Net gain/(loss) from disposal of intangibles	(6)	-
Total net gain/(loss) from disposal of non-current and other assets	(77)	(169)

Gains or losses on disposal are recognised at the date control of the asset is passed from the Hospital and are determined after deducting the cost of the asset from the proceeds at that time. When revalued assets are disposed, the revaluation surplus is transferred to retained earnings.

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13 Other revenues/income

	2017	2016
	\$'000	\$'000
Commissions revenue	4	2
Training revenue	53	-
Donations	1	-
Rent revenue	1,715	1,596
Car parking revenue	2,229	2,071
Other	211	250
Total other revenues	4,213	3,919

14 Revenue from SA Government

	2017	2016
	\$'000	\$'000
Revenue from SA Government (DHA contributions for the provision of health services)		
Recurrent funding	547,655	536,918
Capital funding	23,975	26,561
Total revenue from Department for Health and Ageing	571,630	563,479

The Department for Health and Ageing (DHA) provides recurrent and capital funding under a service level agreement to the Hospital for the provision of general health services. Contributions from DHA are recognised as revenues when the Hospital obtains control over the funding. Control over the funding is normally obtained upon receipt.

15 Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Cash at bank or on hand - non-government financial institutions	982	1,343
Deposits with Treasurer	17,447	17,976
Imprest account/cash on hand	6	11
Total cash	18,435	19,330

Cash is measured at nominal amounts.

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

Deposits with the Treasurer

The Hospital operates through the Department's two deposit accounts held with the Treasurer, one general operating account and one special purpose deposit account. The Hospital earns interest on the special deposit account and does not earn interest on the general operating account held with the Treasurer.

16 Receivables

Current		2017	2016
	Note	\$'000	\$'000
Patient/client fees			
Compensable		366	459
Other		5,207	3,378
Debtors		805	569
Less: allowance for doubtful debts	16.1	(1,227)	(543)
Prepayments		442	335
Sundry receivables and accrued revenue		733	660
GST recoverable		269	384
Workers compensation provision recoverable		1,849	2,423
Total current receivables		8,444	7,665

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16 Receivables (continued)

Non-current		
Debtors	46	65
Workers compensation provision recoverable	949	1,794
Total non-current receivables	995	1,859
Total receivables	9,439	9,524

16.1 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.

	2017	2016
	\$'000	\$'000
Movements in the allowance for doubtful debts (impairment loss)	543	944
Carrying amount at the beginning of the period	(203)	(693)
Amounts written off	887	292
Increase/(Decrease) in allowance recognised in the Statement of Comprehensive Income	1,227	543
Carrying amount at the end of the period		

The Hospital has recognised a bad and doubtful debt expense of \$1.076 million (\$0.099 million).

Interest rate and credit risk

Receivables arise in the normal course of selling goods and services to other agencies and to the public. The Hospital's trading terms for receivables are generally 30 days, after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing.

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

Refer to Note 26 for further information on risk management.

17 Inventories

	2017	2016
	\$'000	\$'000
Current - held for distribution		
Materials at cost:		
Inventory imprest stock	1,907	1,972
Total current inventories - held for distribution	1,907	1,972

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

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

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18 Property, plant and equipment

	2017	2016
	\$'000	\$'000
Land and buildings		
Land	38,240	38,790
Buildings and improvements	429,161	399,106
Accumulated depreciation - buildings and improvements	(48,179)	(25,717)
Buildings and improvements under construction (work in progress)	2,534	15,399
Total land, buildings and improvements	421,756	427,578
Leasehold improvements		
Leasehold improvements at fair value	7,116	8,577
Accumulated amortisation	(2,107)	(1,682)
Total leasehold improvements	5,009	6,895
Plant and equipment		
Medical, surgical, dental and biomedical equipment at cost (deemed fair value)	31,285	27,213
Accumulated depreciation - medical, surgical, dental and biomedical equipment	(20,733)	(18,146)
Other plant and equipment at cost (deemed fair value)	6,201	6,554
Accumulated depreciation - other plant and equipment	(5,069)	(5,389)
Plant and equipment under construction (work in progress)	1,452	248
Total plant and equipment	13,136	10,480
Total property, plant and equipment	439,901	444,953

Valuation of land and buildings

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

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

The valuer used depreciated replacement cost for specialised 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 the assets; the size, condition, location and current use of the assets. The valuation was based on a combination of internal records, specialised knowledge and the acquisition/transfer costs.

Valuation of plant and equipment

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

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

Impairment

There were no indications of impairment of property, plant and equipment and infrastructure assets at 30 June 2017.

19 Intangible assets

	2017	2016
	\$'000	\$'000
Computer Software		
Computer Software	155	115
Accumulated amortisation - computer software	(63)	(47)
Intangibles under construction (work in progress)	-	43
Total intangible assets	92	111

Impairment

There were no indications of impairment of intangible assets at 30 June 2017.

20 Fair Value Measurement

Fair Value Hierarchy

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

Fair value measurements

	2017		2016	
	Level 3	Total	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements				
Land (Note 18)	38,240	38,240	38,790	38,790
Buildings (Note 18)	380,982	380,982	373,389	373,389
Leasehold improvements (Note 18)	5,009	5,009	6,895	6,895
Plant and equipment (Note 18)	11,684	11,684	10,232	10,232
Total recurring fair value measurements	435,915	435,915	429,306	429,306
Total	435,915	435,915	429,306	429,306

There are no non-recurring fair value measurements.

The Hospital's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. Valuation techniques and inputs used to derive Level 2 and 3 fair values are at Note 18.

During 2017 and 2016, the Hospital had no valuations categorised into Level 1; there were no transfers of assets between Level 1, 2 and 3 fair value hierarchy levels in 2016-17.

Valuation techniques and inputs

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

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

Unobservable inputs used to arrive at final valuation figures included:

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

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Reconciliation of property, plant and equipment and investment properties

The following table shows the movement

2016-17

	Land and buildings		Capital works in progress land and buildings		Plant and equipment				Total
	Land \$'000	Buildings \$'000		\$'000	Leasehold improvements \$'000	Medical/surgical/dental/biomedical \$'000	Other plant and equipment \$'000	Capital works in progress plant and equipment \$'000	\$'000
Carrying amount at beginning of the period	38,790	373,389		15,399	6,895	9,067	1,165	248	444,953
Additions	-	-		17,537	-	4,959	239	1,442	24,177
Assets received free of charge	-	-		494	-	44	-	-	538
Disposals	-	-		-	-	(41)	(30)	-	(71)
Donated assets disposal	(550)	(726)		-	-	-	-	-	(1,276)
Acquisition / (disposal) through administrative restructuring	-	-		-	(1,461)	-	-	-	(1,461)
Transfers between asset classes	-	30,896		(30,896)	-	238	-	(238)	-
Subtotal:	38,240	403,559		2,534	5,434	14,267	1,374	1,452	466,860
Gains/(losses) for the period recognised in net result:									
Depreciation and amortisation	-	(22,577)		-	(425)	(3,715)	(242)	-	(26,959)
Subtotal:	-	(22,577)		-	(425)	(3,715)	(242)	-	(26,959)
Carrying amount at the end of the period	38,240	380,982		2,534	5,009	10,552	1,132	1,452	439,901

All property, plant and equipment are classified in the level 3 fair value hierarchy and capital works in progress (not classified).

Resources received free of charge

The Hospital received Incubator/Warming Units for the Special Care Nursery at the Lyell McEwin from the Humpty Dumpty Foundation free of charge.

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2015-16

	Land and buildings		Plant and equipment		Total
	Land	Buildings	Leasehold improvements	Medical/surgical/dental/ biomedical equipment	Capital works in progress land and buildings
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the period	38,790	372,827	7,063	10,813	448,147
Additions	-	-	-	-	-
Assets received free of charge	-	-	-	2,704	238
Disposals	-	(118)	-	130	-
Donated assets disposal	-	-	-	(28)	(170)
Transfers between asset classes	-	-	-	(1,361)	(1,361)
Subtotal:	38,790	23,444	185	456	(456)
	38,790	396,153	7,248	12,742	472,000
Gains/(losses) for the period recognised in net result:					
Depreciation and amortisation	-	(22,764)	(353)	(3,675)	(27,047)
Subtotal:	-	(22,764)	(353)	(3,675)	(27,047)
Carrying amount at the end of the period	38,790	373,389	6,895	9,067	444,953

All property, plant and equipment are classified in the level 3 fair value hierarchy and capital works in progress (not classified).

Resources received free of charge

The Hospital received 3 defibrillators, 1 cardiac output unit and 1 ultrasound machine all free of charge.

Reconciliation of intangibles

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21 Payables

	2017	2016
	\$'000	\$'000
Current		
Creditors and accrued expenses	14,470	10,779
Paid Parental Leave Scheme payable	32	29
Staff on-costs*	4,992	4,849
Other payables	1	1
Total current payables	19,495	15,658
Non-current		
Staff on-costs*	2,853	2,897
Total non-current payables	2,853	2,897
Total payables	22,348	18,555

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

As a result of an actuarial assessment performed the Department of Treasury and Finance, the percentage of long service leave taken as leave has decreased from the 2016 rate 51% to 48%. Further, Mercer Consulting (Australia) Pty Ltd has determined that the average factor for the calculation of employer superannuation cost on-cost has decreased from 9.74% in 2016 rate to 9.63%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of \$0.111 million and employee benefits expense of \$0.111 million. The estimated impact on 2018 and 2019 is \$0.115 million and \$0.119 million respectively.

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

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

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

Interest rate and credit risk

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owed. Sundry creditors are normally settled within 30 days from the date the invoice is first received. Staff on-costs are settled when the respective staff benefits that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.

Refer to Note 26 for further information on risk management.

22 Staff benefits

	2017	2016
	\$'000	\$'000
Current		
Annual leave	35,082	29,738
Long service leave	8,060	7,452
Accrued salaries and wages	8,928	10,878
Skills and experience retention leave	2,995	2,480
Other	24	2
Total current staff benefits	55,089	50,550
Non-current		
Long service leave	60,935	59,533
Total non-current staff benefits	60,935	59,533
Total staff benefits	116,024	110,083

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22 Staff benefits (continued)

AASB 119 *Employee Benefits* contains the calculation methodology for LSL. The actuarial assessment performed by Mercer Consulting (Australia) Pty Ltd has provided a basis for the measurement of long service leave. AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has increased from 2016 (1.97%) to 2017 (2.61%).

This increase in the bond yield, which is used as the rate to discount future LSL cash flows, results in a decrease in the reported LSL liability. The net financial effect of the change in the current financial year is a decrease in the reported LSL liability of \$3.675 million and staff benefits expense of \$3.846 million. The impact on the future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4.00% for long service leave liability and 3.00% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

23 Provisions	2017	2016
Current	\$'000	\$'000
Workers compensation	3,274	4,653
Total current provisions	3,274	4,653
Non-current		
Workers compensation	4,891	7,030
Total non-current provisions	4,891	7,030
Total provisions	8,165	11,683

Workers Compensation

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2017 provided by a consulting actuary engaged through the Office of the Public Sector. The provision is for the estimated cost of ongoing payments to staff as required under current legislation. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling these claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all claims do not have to be paid in the immediate future.

23.1 Reconciliation of workers compensation

The following table shows the movement of workers compensation:

	2017	2016
	\$'000	\$'000
Carrying amount at the beginning of the period	11,683	11,657
Increase/(decrease) in provisions recognised	(2,329)	1,743
Reductions arising from payments/other sacrifices of future economic benefits	(1,189)	(1,717)
Carrying amount at the end of the period	8,165	11,683

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. These claims are expected to be settled within the next financial year.

24 Other liabilities

	2017	2016
Current	\$'000	\$'000
Unclaimed monies	3	51
Unearned revenue	-	34
Other	-	45
Total current other liabilities	3	130
Total other liabilities	3	130

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25 Unrecognised contractual commitments

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources, and are disclosed at their nominal value. Unrecognised contractual commitments are disclosed net of the amount of GST recoverable or payable. If GST is not recoverable or payable, the commitments are disclosed on a gross basis.

25.1 Operating lease expenditure commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:	2017	2016
	\$'000	\$'000
Within one year	4,851	5,311
Later than one year but not longer than five years	18,213	18,979
Later than five years	28,863	33,301
Total operating lease commitments	51,927	57,591
Representing:		
Non-cancellable operating leases	51,927	56,065
Total operating lease commitments	51,927	56,065

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

The Hospital has entered into Administrative Arrangement with the Department for Communities and Social Inclusion to occupy premises located at Northgate for a five year term including an option to extend for a further five years. The rental payments do not reflect the fair value of the property being leased (ie for nominal amounts), however the Hospital is responsible for all other outgoings related to the premises.

During 2016-17 it was determined that the 20 year operating lease for Elizabeth GP Plus, which commenced in 2010, had been incorrectly disclosed as a commitment for CALHN instead of a commitment for NALHN. Consequently, the NALHN 2015-16 Operating Lease balance was understated by \$37.30 million. The comparatives for 2015-16 have therefore been restated to reflect this adjustment - Not Later than one year \$2.332 million; Later than one year and not later than five years \$9.648 million and Later than five years \$25.326 million.

25.2 Expenditure Commitments

	2017	2016
	\$'000	\$'000
Expenditure commitments		
Within one year	13,852	22,748
Later than one year but not longer than five years	682	1,205
Total Expenditure commitments	14,534	23,953

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

26 Financial instruments / financial risk management

26.1 Financial risk management

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

The Hospital's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity risk

The Hospital is funded principally by the Department for Health and Ageing. The Department for Health and Ageing works with the Department of Treasury and Finance to determine the cash flows associated with the SA Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to Note 21 for further information.

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26.1 Financial risk management (continued)

Credit and market risk

The Hospital has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Hospital has minimal concentration of credit risk. The Hospital does not trade in foreign currency, enter into transactions for speculative purposes, nor for hedging. No collateral is held as security and no credit enhancements relate to financial assets held by the Hospital.

Refer to Notes 15 and 16 for further information.

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

There have been no changes in risk exposure since the last reporting period.

26.2 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 or the respective financial asset / financial liability note.

The carrying amounts of each of the following categories of financial assets and liabilities: Held-to-maturity investments; loan and receivables; and financial liabilities measured at cost are detailed below.

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

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer Notes 2, 16 and 21).

Category of financial asset and financial liability	Notes	2017 Carrying amount/ Fair value \$'000	2016 Carrying amount/ Fair value \$'000
Financial assets			
Cash and equivalent			
Cash and cash equivalents	15, 29	18,435	19,330
Loans and receivables			
Receivables ^{(1) (2)}	16	5,857	4,493
Total financial assets		24,292	23,823
Financial liabilities			
Financial liabilities at cost			
Payables ⁽¹⁾	21	14,217	10,535
Other liabilities	24	3	96
Total financial liabilities		14,220	10,631

⁽¹⁾ Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth taxes; Auditor-General's Department audit fees etc). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

⁽²⁾ Receivables amount disclosed here excludes prepayments. Prepayments are presented in Note 16 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

27 Transferred functions

Transferred in	2017	2016
Assets and liabilities transferred were:	\$'000	\$'000
Total assets	-	-
Payables	-	50
Staff benefits	-	701
Total liabilities	-	751
Total net assets transferred	-	(751)

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27 Transferred functions (continued)

2016-17

- There were no transfers in during this period.

2015-16

- Following a review of Departmental functions, effective 1 July 2015, the Chief Executive of the Department approved the transfer of operational employees within the Workforce division of the Department to the Local Health Networks (LHNs) and SA Ambulance Service Inc.(SAAS).

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

Transferred out

Assets and liabilities transferred were:	2017 \$'000	2016 \$'000
Property, plant and equipment	1,461	-
Total assets	1,461	-
Total liabilities	-	-
Total net assets transferred	1,461	-

2016-17

- Following an agreement between the Chief Executive Officers of Central Adelaide Local Health Network (CALHN) and Northern Adelaide Local Health Network (NALHN), it was agreed to transfer assets associated with the Older Person's Mental Health Service from NALHN to CALHN effective 1 August 2016.
- Property, plant and equipment was transferred from the NALHN to CALHN as at 1 August 2016, however staff liabilities associated with the function (totalling \$ 2.209 million), did not transfer as they were already recorded with CALHN as at the transfer date.

2015-16

- There were no transfers out during this period.

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

28 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed within this note and, if quantifiable are measured at nominal value. Contingencies are disclosed net of the amount of GST recoverable or payable. If GST is not recoverable or payable, the contingencies are disclosed on a gross basis.

Contingent Assets

The Hospital is not aware of any contingent assets.

Contingent Liabilities

The Hospital is not aware of any contingent liabilities.

Guarantees

The Hospital has made no guarantees.

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29 Cash flow reconciliation

	2017	2016
	\$'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	18,435	19,330
Cash as per Statement of Financial Position	18,435	19,330
Balance as per the Statement of Cash Flows	18,435	19,330
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash provided by (used in) operating activities	1,975	3,983
Department for Health and Ageing contributions for the provision of health services	(571,630)	(563,479)
Add/less non-cash items		
Depreciation and amortisation expense of non-current assets	(26,986)	(27,067)
Gain/loss on sale or disposal of non-current assets	(77)	(169)
Donated Assets Disposal	(1,276)	-
Assets acquired at no cost or nominal consideration	538	130
Capital revenues	21,284	18,356
Assets donated free of charge to Statewide	-	(1,362)
Movement in assets and liabilities		
Increase (decrease) in receivables	(85)	1,319
Increase (decrease) in inventories	(65)	77
(Increase) decrease in staff benefits	(5,941)	(7,802)
(Increase) decrease in payables and provisions	(238)	(425)
(Increase) decrease in other liabilities	127	122
Net cost of providing services	(582,374)	(576,317)

Cash and cash equivalents in the Statement of Cash Flows consist of cash and cash equivalents as per the Statement of Financial Position, net of bank overdrafts.

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30 Transactions with SA Government

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

Note	SA Government		Non-SA Government		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
4 Staff benefit expenses	1,726	1,698	412,351	410,530	414,077	412,228
5 Supplies and services	69,062	56,182	103,081	111,014	172,143	167,196
Administration	141	99	504	475	645	574
Advertising	181	46	18	31	199	77
Communication	235	110	529	508	764	618
Computing	4,572	4,289	329	234	4,901	4,523
Contractors	-	31	286	275	286	306
Contractors - agency staff	5,018	6,911	8,102	10,035	13,120	16,946
Consultants	-	-	188	72	188	72
Contract of services	49	-	133	117	182	117
Drug supplies	581	483	6,502	6,570	7,083	7,053
Electricity, gas and fuel	2	-	4,201	4,511	4,203	4,511
Fee for service	39	444	5,638	5,781	5,677	6,225
Food supplies	421	647	3,286	3,268	3,707	3,915
Housekeeping	584	506	22,209	21,933	22,793	22,439
Insurance	5,295	4,979	377	384	5,672	5,363
Internal SA Health SLA payments	4,525	2,270	-	-	4,525	2,270
Interstate patient transfers	-	-	-	12	-	12
Legal	103	86	50	8	153	94
Medical, surgical and laboratory	27,088	18,349	23,736	28,589	50,824	46,938
Minor equipment	111	107	1,754	1,053	1,865	1,160
Motor vehicle expenses	140	184	46	44	186	228
Occupancy rent and rates	972	977	4,521	4,977	5,493	5,954
Patient transport	5,662	4,460	473	651	6,135	5,111
Payments to Shared Services SA	2,401	2,377	-	-	2,401	2,377
Postage	43	31	797	702	840	733
Printing and stationery	550	600	1,727	1,727	2,277	2,327
Rental expense on operating lease	786	980	1	-	787	980
Repairs and maintenance	8,910	6,824	676	859	9,586	7,683
Security	48	49	5,943	6,440	5,991	6,489
Staff training and development	222	25	5,400	5,566	5,622	5,591
Staff travel expenses	-	-	163	280	163	280
Other supplies and services	383	318	5,492	5,912	5,875	6,230
6 Depreciation and amortisation expense	-	-	26,986	27,067	26,986	27,067
12 Net loss from disposal of non-current and other assets	-	-	77	169	77	169
Total proceeds from disposal	-	-	-	-	-	-
Realised gain from the fair value reserve - financial assets	-	-	-	-	-	-
Less total value of assets disposed	-	-	77	169	77	169
Less other costs of disposal	-	-	-	-	-	-
7 Other expenses	1,670	1,646	1,191	52	2,861	1,698
Bad and doubtful debts	-	-	1,076	99	1,076	99
Bank fees and charges	-	-	18	19	18	19
Donated assets expense	-	1,362	-	-	-	1,362
Assets transferred to the Department	1,276	-	-	-	1,276	-
Other	394	284	97	(66)	491	218
TOTAL EXPENSES	72,458	59,526	543,686	548,832	616,144	608,358

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

	SA Government		Non-SA Government		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INCOME						
8 Revenue from fees and charges	4,464	4,677	21,122	19,158	25,586	23,835
Ambulance transport	-	-	3	-	3	-
Fines, fees and penalties	-	-	60	55	60	55
Insurance recoveries	15	75	-	-	15	75
Patient and client fees	-	-	14,591	12,403	14,591	12,403
Private practice fees	-	-	2,490	3,347	2,490	3,347
Recoveries	4,288	4,485	1,074	701	5,362	5,186
Residential and other aged care charges	-	-	793	899	793	899
Other user charges and fees	161	117	2,111	1,753	2,272	1,870
9 Grants and contributions	78	78	3,273	3,957	3,351	4,035
Commonwealth grants and donations	-	-	112	151	112	151
Commonwealth aged care subsidies	-	-	1,334	1,768	1,334	1,768
Other SA Government grants and contributions	78	78	-	-	78	78
Private sector grants and contributions	-	-	1,827	2,038	1,827	2,038
10 Interest revenue	82	120	-	2	82	122
11 Resources received free of charge	494	-	44	130	538	130
13 Other revenue	24	13	4,189	3,906	4,213	3,919
Commissions revenue	-	-	4	2	4	2
Training revenue	1	-	52	-	53	-
Donations	-	-	1	-	1	-
Rent revenue	-	-	1,715	1,596	1,715	1,596
Car parking revenue	10	-	2,219	2,071	2,229	2,071
Other	13	13	198	237	211	250
14 Revenue from SA Government	571,630	563,479	-	-	571,630	563,479
TOTAL INCOME	576,772	568,367	28,628	27,153	605,400	595,520
FINANCIAL ASSETS						
15 Cash and cash equivalents	17,447	17,976	988	1,354	18,435	19,330
16 Receivables	2,991	4,253	6,448	5,271	9,439	9,524
Patient/client fees						
Compensable	-	-	366	459	366	459
Other	-	-	5,207	3,378	5,207	3,378
Debtors	193	36	658	598	851	634
Less: allowance for doubtful debts	-	-	(1,227)	(543)	(1,227)	(543)
Prepayments	-	-	442	335	442	335
Sundry receivables and accrued revenue	-	-	733	660	733	660
GST recoverable	-	-	269	384	269	384
Workers compensation provision recoverable	2,798	4,217	-	-	2,798	4,217
TOTAL FINANCIAL ASSETS	20,438	22,229	7,436	6,625	27,874	28,854
FINANCIAL LIABILITIES						
21 Payables	1,759	1,729	20,589	16,826	22,348	18,555
Creditors and accrued expenses	1,759	1,729	12,711	9,050	14,470	10,779
Paid Parental Leave Scheme payable	-	-	32	29	32	29
Staff on-costs	-	-	7,845	7,746	7,845	7,746
Other payables	-	-	1	1	1	1
24 Other liabilities	(1)	-	4	130	3	130
Unclaimed monies	-	-	3	51	3	51
Unearned revenue	-	-	-	34	-	34
Other	(1)	-	1	45	-	45
TOTAL FINANCIAL LIABILITIES	1,758	1,729	20,593	16,956	22,351	18,685

**NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017**

31 Remuneration of board and committee members

Members of boards/committees that served for all or part of the financial year and were entitled to receive income from membership in accordance with APFII were:

Board/Committee name:	Government employee members*		Other members
Northern Adelaide Local Health Consumer Advisory Board		5	White A (Chair), Patching A (Co-Chair), Mossop J (Vice Chairperson), Davidson F (resigned 31/12/2016), Whatley G, Green L, Turner M, Isemonger J, Lowden H, Hicks R (resigned 01/03/2017), Davies I, Thompson M, Putsey P, Mickan K
Northern Adelaide Local Health Network Governing Council		4	Hains S (Presiding Member), Durrant M, Isemonger J, Lampard F, Smith J, Wilson B
Northern Adelaide Local Health Risk Management & Audit Committee		1	Hains S (Chair, resigned 22/09/2016), Connor G (Chair, appointed 10/10/2016), Smith J, McGowan C

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

	2017 No. of Members	2016 No. of Members
\$0		
\$1 - \$9,999	12	34
\$10,000 - \$19,999	17	14
Total	29	48

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, 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 or receivable by members was \$0.070 million (\$0.081 million).

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

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

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

32 Related party transactions

The Hospital is controlled by the SA Government.

Related parties of the Hospital include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Significant transactions with government related entities

The Hospital received funding from the SA Government via the Department (Note 14), and incurred expenditure via the Department for medical, surgical and laboratory supplies, inter-health staff recharging, insurance and computing (Note 5 and 30). The Department transferred capital works in progress of \$21.284 million to the Hospital. In addition, the Hospital incurred significant expenditure with the Department of Planning, Transport and Infrastructure (DPTI) for property repairs and maintenance of \$8.910 million and capital works of \$1.557 million (Note 5 and 30). As at 30 June the outstanding balance payable to DPTI was \$2.001 million.

Quantitative information about transactions and balances between the Hospital and other SA Government controlled entities are disclosed at Note 30.

In addition, the Hospital has lease arrangements (both as lessee and as lessor) with other SA Government controlled entities. These premises are provided/received at nil or nominal rental with outgoings such as utilities being paid by the lessee.

Key Management Personnel

Key management personnel (KMP) of the Hospital includes the Ministers, the Chief Executive of the Department, Chief Executive Officer of the Hospital and the eight members of the Executive Management Group who have responsibility for the strategic direction and management of the Hospital.

The compensation detailed below excludes salaries and other benefits received by:

- The Minister for Health, The Minister for Ageing and the Minister for Mental Health and Substance Abuse. These Ministers' remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*; and
- The Chief Executive of the Department. The Chief Executive of the Department is compensated by the Department and there is no requirement for the Hospital to reimburse those expenses.

	2017	2016
Compensation	\$'000	\$'000
Salaries and other short term employee benefits	1,837	na
Post-employment benefits	231	na
Total	2,068	-

For those employees doing long term acting in KMP roles, only compensation for the period that they were acting is included.

The Hospital did not enter into any transactions with KMP or their close family in 2016-17 that were not consistent with normal procurement arrangements.

33 Schedules of administered funds

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

Description of categories of administered funds

Private Practice Funds represents funds billed on behalf of salaried medical officers and subsequently distributed to the LHN and salaried medical officers according to individual Rights of Private Practice Deeds of Agreement.

Other administered funds include the following:

- Nurses Education Fund; and
- Patient Trust Account Oakden

During the 2016-17 financial year:

- The Medical Society Fund was closed and the funds transferred to the Health Services Charitable Gifts Board; and
- The Patient Trust Account-Oakden was transferred from CAHLN to NALHN as at 30 June 2017.

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

33 Schedules of administered funds (continued)

Schedule of Administered Expenses and Income

	Private Practice Funds 2017 \$'000	Other 2017 \$'000	Total 2017 \$'000
Administered expenses			
Supplies and services	-	44	44
Other expenses	5,575	17	5,592
Total administered expenses	5,575	61	5,636
Administered income			
Revenue from fees and charges	5,517	-	5,517
Other revenue	-	51	51
Total administered income	5,517	51	5,568
Net result	(58)	(10)	(68)

	Private Practice Funds 2016 \$'000	Other 2016 \$'000	Total 2016 \$'000
Administered expenses			
Supplies and services	-	36	36
Other expenses	6,063	-	6,063
Total administered expenses	6,063	36	6,099
Administered income			
Revenue from fees and charges	5,626	-	5,626
Other revenue	-	48	48
Total administered income	5,626	48	5,674
Net result	(437)	12	(425)

Schedule of Administered Assets and Liabilities

	Private Practice Funds 2017 \$'000	Other 2017 \$'000	Total 2017 \$'000
Administered current assets			
Cash and cash equivalents	391	144	535
Receivables	353	30	383
Total administered current assets	744	174	918
Total administered assets	744	174	918
Administered current liabilities			
Payables	1	17	18
Total administered current liabilities	1	17	18
Total administered liabilities	1	17	18
Net administered assets	743	157	900

NORTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

33 Schedules of administered funds (continued)

	Private Practice Funds 2016 \$'000	Other 2016 \$'000	Total 2016 \$'000
Administered current assets			
Cash and cash equivalents	331	151	482
Receivables	469	-	469
Total administered current assets	800	151	951
Total administered assets	800	151	951
Net administered assets	800	151	951

Schedule of Administered Changes in Equity

	Total 2017 \$'000	Total 2016 \$'000
Balance at the beginning of the reporting period	951	1,376
Net result	(68)	(425)
Transfer of Patient Trust Account Oakden from CALHN to NALHN 30 June 2017	17	-
Total comprehensive result for the period	(51)	(425)
Balance at the end of the reporting period	900	951

Schedule of Administered Cash Flows

	Total 2017 \$'000	Total 2016 \$'000
Cash flows from operating activities		
Cash inflows		
Fees and charges	5,633	5,748
Other revenue	21	48
Total cash inflows	5,654	5,796
Cash outflows		
Supplies and services	43	80
Other payments	5,575	6,063
Total cash outflows	5,618	6,143
Net cash inflows/cash outflows from operating	36	(347)
Net increase/(decrease) in cash held	36	(347)
Cash at the beginning of the reporting period	482	829
Transfer of Patient Trust Account Oakden from CALHN to NALHN 30 June 2017	17	-
Cash at the end of the reporting period	535	482

Administered expenses and administered cash outflows

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

Administered incomes and administered cash inflows

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

Administered assets and liabilities

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

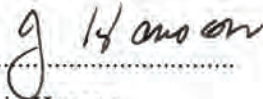
Administered contingent assets and liabilities

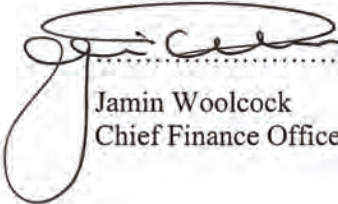
The Hospital has no administered contingent assets and liabilities.

Certification of the financial statements

We certify that the:

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


.....
Jackie Hanson
Chief Executive Officer


.....
Jamin Woolcock
Chief Finance Officer

Date 14/9/17.....

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chief Executive Officer Northern Adelaide Local Health Network Incorporated

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 36(2) of the *Health Care Act 2008*, I have audited the financial report of the Northern Adelaide Local Health Network Incorporated for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Northern Adelaide Local Health Network Incorporated as at 30 June 2017, 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.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chief Executive Officer and the Chief Finance Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Northern Adelaide Local Health Network Incorporated. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the Chief Executive Officer for the financial report

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

Auditor's Responsibilities for the audit of the financial report

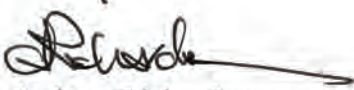
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

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

Andrew Richardson

Auditor-General

20 September 2017

Office of the National Rail
Safety Regulator

Financial report
for the year ended
30 June 2017

The Office of the National Rail Safety Regulator

Statement of Comprehensive Income

For the year ended 30 June 2017

		2017	2016
	Note	\$'000	\$'000
Expenses:			
Employee benefits expenses	4	12,428	8,304
Supplies and services	5	5,127	3,799
Service level agreement	6	15,599	19,435
Depreciation and amortisation	7	578	390
Net loss from the disposal of non-current and other assets	8	-	4
Other expenses	9	1	10
Total expenses		33,733	31,942
Income:			
Revenues from fees and charges	10	34,646	32,289
Funding for transition expenses	11	1,500	-
Interest revenues	12	274	312
Other income	13	93	64
Total income		36,513	32,665
Net result		2,780	723
Total comprehensive result		2,780	723

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

The Office of the National Rail Safety Regulator

Statement of Financial Position

As at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets:			
Cash and cash equivalents	14	12,353	11,707
Receivables	15	1,321	822
Total current assets		13,674	12,529
Non-Current assets			
Property, plant and equipment	16	3,381	865
Intangible assets	17	2,447	2,515
Total Non-Current assets		5,828	3,380
Total assets		19,502	15,909
Current liabilities:			
Payables	18	4,670	3,379
Employee benefits	19	2,191	1,196
Other liabilities	20	484	2,071
Total current liabilities		7,345	6,646
Non-Current liabilities:			
Employee benefits	19	331	217
Total Non-Current liabilities		331	217
Total liabilities		7,676	6,863
Net assets		11,826	9,046
Equity:			
Retained earnings		11,826	8,128
Reserve for transition expenses		-	918
Total equity	21	11,826	9,046
Provisions	22		
Unrecognised contractual commitments	23		
Contingent assets and liabilities	24		

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

The Office of the National Rail Safety Regulator

Statement of Changes in Equity

For the year ended 30 June 2017

	Note	Reserve for Transition expenses \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2015		979	7,344	8,323
Net result for 2015-16		-	723	723
Transfer between equity components		(61)	61	-
Balance at 30 June 2016		918	8,128	9,046
Transfer between equity components		(918)	918	-
Net result for 2016-17		-	2,780	2,780
Balance at 30 June 2017	21	-	11,826	11,826

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

The Office of the National Rail Safety Regulator

Statement of Cash Flows

For the year ended 30 June 2017

		2017 Inflows (Outflows) \$'000	2016 Inflows (Outflows) \$'000
Cash flows from operating activities	Note		
Cash outflows			
Employee benefit payments		(11,591)	(8,220)
Payments for supplies and services		(5,641)	(4,704)
Payments of service level agreement		(15,577)	(17,934)
Payments for paid parental leave scheme		(12)	(14)
Other Payments		0	(12)
Cash used in operations		(32,821)	(30,884)
Cash inflows			
Fees and charges		33,066	34,771
Interest received		277	311
Funding for transition expenses		1,650	-
GST recovered from the ATO		500	541
Receipts for paid parental leave scheme		12	12
Other receipts		684	183
Cash generated from operations		36,189	35,818
Net cash provided by (used in) operating activities		3,368	4,934
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(2,369)	(435)
Purchases of intangibles		(353)	(1,092)
Cash generated from investing activities		(2,722)	(1,527)
Cash used in investing activities		(2,722)	(1,527)
Net increase (decrease) in cash and cash equivalents		646	3,407
Cash and cash equivalents at 1 July 2016		11,707	8,300
Cash and cash equivalents at 30 June 2017	14	12,353	11,707

The Office of the National Rail Safety Regulator

Notes to and forming part of the financial statements

1. Objective of the Office of the National Rail Safety Regulator

The Office of the National Rail Safety Regulator is established under the *Rail Safety National Law (South Australia) Act 2012* (the Law).

The Office of the National Rail Safety Regulator has the principal objective of facilitating the safe operation of rail transport across Australia. This is achieved through regulation of the rail industry in accordance with the Law, supporting regulations, guidelines and policies and the promotion of safety as a fundamental objective in the delivery of rail transport services.

2. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in compliance with section 263 of the Rail Safety National Law (*South Australia) Act 2012* and Regulation 48 of Rail Safety National Law National Regulations.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements).

The Office of the National Rail Safety Regulator (ONRSR) has applied Australian Accounting Standards that are applicable to ONRSR.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Office of the National Rail Safety Regulator's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes.
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

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

(c) Comparative information

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

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

(d) Rounding

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

(e) Taxation

The Office of the National Rail Safety Regulator is not subject to income tax. The Office of the National Rail Safety Regulator is liable for payroll tax, fringe benefits tax 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.
- receivables and payables, which are stated with the amount of GST included.

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

The Office of the National Rail Safety Regulator

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

(f) 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) Current and non-current classification

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.

(h) Non-current assets

Acquisition and recognition

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

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

All non-current tangible assets with a value equal to or in excess of \$5,000 are capitalised.

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.

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

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

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

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

Class of asset	Useful life(years)
Computer equipment	3 - 10
Intangible assets	3 - 5
Leasehold improvements	Life of Lease

Depreciation on Fixtures and fittings is calculated using the diminishing value method.

Impairment

The Office of the National Rail Safety Regulator holds leasehold improvements, equipment and intangible assets for their service potential (value in use).

All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any costs of disposal would be negligible, accordingly the recoverable amount will be close to or greater than fair value.

The Office of the National Rail Safety Regulator also expects for all other non-current tangible assets that any costs of disposal will be negligible, and the recoverable amount to be close to or greater than fair value.

The Office of the National Rail Safety Regulator

Intangible assets

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

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

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (indefinitely, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$5,000.

(i) Liabilities

Leases

The Office of the National Rail Safety Regulator leases office premises. Lease payments are increased annually in accordance with movements in CPI or as per the lease agreement.

Employee benefits

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

• *Wages, salaries, annual leave & sick leave*

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

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

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

• *Long Service Leave*

This amount has been calculated in accordance with AASB119.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service.

(j) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

The Office of the National Rail Safety Regulator

3. New and revised accounting standards and policies

As at the date of authorisation of the financial report, the expected impacts on new or amended Australian Accounting Standards issued but with future effective dates are set out below.

The Office of the National Rail Safety Regulator did not voluntarily change any of its accounting policies during 2016-17. Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Office of the National Safety Regulator for the year ended 30 June 2017.

The new AASB 16 Leases standard will apply for the first time from periods commencing 1 January 2019. The standard introduces a single accounting model for lessees, eliminating the distinction between operating and finance leases. The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

A lessee is required to recognise a right-of-use asset representing its rights to use the underlying leased asset, and a lease liability representing its obligations to make lease payments.

These are currently recorded as commitments and are not captured in the statement of financial position.

4. Employee benefits expenses

	2017 S'000	2016 S'000
Salaries and wages	9,182	6,453
Long service leave	260	213
Annual leave	1,327	549
Employment on-costs - superannuation*	927	666
Employment on-costs - other	683	396
Workers compensation	49	27
Total employee benefits expenses	12,428	8,304

*The superannuation employment on-cost charge represents the Office of the National Rail Safety Regulator's contributions to externally managed superannuation plans in respect of current services of current Office of the National Rail Safety Regulator staff.

Remuneration of employees

	2017 Number	2016 Number
The number of employees whose remuneration received or receivable falls within the following bands:		
\$147,001 to \$157,000	3	4
\$157,001 to \$167,000	5	2
\$167,001 to \$177,000	1	1
\$197,001 to \$207,000	1	0
\$207,001 to \$217,000	1	0
\$247,001 to \$257,000	0	1
\$257,001 to \$267,000	0	1
\$267,001 to \$277,000	1	0
\$307,001 to \$317,000	2	2
\$387,001 to \$397,000	0	1
\$407,001 to \$417,000	1	0
Total number of employees	15	12

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits, fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$3.164 million (\$2.638 million).

The Office of the National Rail Safety Regulator

5. Supplies and services	2017	2016
	\$'000	\$'000
Travelling expenses	884	695
Information Technology	1,410	1,158
Insurance	316	299
Property	1,239	867
Contractors fees	390	96
Other	888	684
Total supplies and services	5,127	3,799

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, as it is representative of the pattern of benefits derived from the leased asset.

Consultants

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

	Number	2017 \$'000	Number	2016 \$'000
Below \$10,000	7	32	9	27
Above \$10,000	7	216	4	182
Total paid/payable to consultants	14	248	13	209

6. Service level agreement

	2017	2016
	\$'000	\$'000
Payment under Service Level Agreement with NSW	9,505	13,431
Payment under Service Level Agreement with VIC	6,094	6,004
Total Service Level Agreement	15,599	19,435

The SLA with NSW ceased on 9 March 2017. From 10 March 2017 NSW operations were transferred to ONRSR under a direct delivery model.

7. Depreciation and amortisation

	2017	2016
	\$'000	\$'000
Fixtures and fittings	37	29
Computer Equipment	87	51
Computer Software	399	283
Leasehold Improvements	55	27
Total depreciation and amortisation	578	390

8. Net loss from the disposal of non-current and other assets

	2017	2016
	\$'000	\$'000
Computer Equipment:		
Proceeds from disposal	0	0
Less net book value of assets disposed	0	4
Total Net loss from disposal of computer equipment	0	4
Total Net loss from disposal	0	4

9. Other expenses

	2017	2016
	\$'000	\$'000
Bad debts and allowances for doubtful debts (refer note 15)	1	10
Total other expenses	1	10

The Office of the National Rail Safety Regulator

10. Revenue from fees and charges

	2017	2016
	\$'000	\$'000
Revenue from accreditations	87	95
Revenue from annual fees from industry and government	34,559	32,194
Total revenue from fees and charges	34,646	32,289

Revenues from fees and charges are derived from the provision of services to industry and state governments. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

11. Funding for transition expenses

	2017	2016
	\$'000	\$'000
Capital contribution	1,500	0
Total contribution	1,500	0

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

All contributions received by the Office of the National Rail Safety Regulator have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

12. Interest revenues

	2017	2016
	\$'000	\$'000
Interest received	274	312
Total interest revenues	274	312

13. Other income

	2017	2016
	\$'000	\$'000
Rent recovery	0	37
Freedom of Information Fees	1	1
Insurance claim	0	15
Doubtful debts recovered	4	9
Salary Sacrificing Refund	11	0
Defence Reserve Recovery	9	0
Payroll Tax Recovery	68	0
Sundry Income	0	2
Total other revenue	93	64

14. Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Cash at bank and on hand	12,353	11,707
Total cash and cash equivalents	12,353	11,707

Cash is measured at nominal value.

The Office of the National Rail Safety Regulator has been granted an overdraft limit facility of \$400,000. This limit has not been used.

15. Receivables

	2017	2016
	\$'000	\$'000
Receivables	299	325
Less allowance for doubtful debts	-6	-11
Prepayments	521	395
Accrued interest	6	9
Accrued revenue	10	6
Security Deposit	96	7
GST input tax receivable	395	91
Total Receivables	1,321	822

The Office of the National Rail Safety Regulator

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (i.e. calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

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

	2017	2016
	\$'000	\$'000
Movements in the allowance for doubtful debts (impairment loss)		
Carrying amount at the beginning of the period	11	19
Increase in the allowance	2	10
Amounts written off	-3	-9
Amounts recovered during the year	-4	-9
Carrying amount at the end of the period	6	11

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

Receivables arise in the normal course of providing services to industry and state governments.

Receivables are generally settled within 30 days after the issue of an invoice.

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

16. Property, plant and equipment

	2017	2016
Leasehold Improvements		
At cost	1,345	398
Accumulated depreciation	-82	-27
Total leasehold improvements	1,263	371
Work In Progress (Leasehold Improvements):		
At Cost	730	0
Total Work in Progress (Fixtures and fittings)	730	0
Total Leasehold Improvements (including work in progress)	1,993	371
Fixtures and fittings:		
At cost	673	406
Accumulated depreciation	-122	-85
Total fixtures and fittings	551	321
Work In Progress (Fixtures and fittings):		
At Cost	128	0
Total Work in Progress (Fixtures and fittings)	128	0
Total Fixtures and fittings (including work in progress)	679	321
Computer equipment:		
At cost	600	316
Accumulated depreciation	-230	-143
Total computer equipment	370	173
Work In Progress (Computer equipment):		
At Cost	339	0
Total Work in Progress (Fixtures and fittings)	339	0
Total Fixtures and fittings (including work in progress)	709	173
Total property, plant and equipment	3,381	865

Impairment

There were no indications of impairment of property, plant and equipment at 30 June 2017.

The Office of the National Rail Safety Regulator

17. Intangible assets

	2017 \$'000	2016 \$'000
Computer Software		
Internally developed computer software	2,499	1,927
Accumulated amortisation	-255	-48
Other computer software	872	808
Accumulated amortisation	-679	-487
Total Computer software	2,437	2,200
Work In Progress (Intangibles):		
At Cost	10	315
Total Work in Progress (Intangibles)	10	315
Total Intangible assets	2,447	2,515

The internally developed computer software relates to the development of a regulatory accreditation model (Regis) that provides the Office of the National Safety Regulator with a national database of all accredited, registered and exempt entities.

Impairment

There were no indications of impairment of intangible assets at 30 June 2017.

Asset movement reconciliation 2017

	Leasehold Improvements \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Intangible assets \$'000	Total \$'000
2017					
Carrying amount at 1 July 2016	371	321	173	2,515	3,380
Additions at cost	947	267	284	321	1,819
Additions work in progress	730	128	339	10	1,207
Depreciation/amortisation	-55	-37	-87	-399	-578
Carrying amount at 30 June 2017	1,993	679	709	2,447	5,828

18. Payables

	2017 \$'000	2016 \$'000
Current:		
Creditors	2,594	238
Accrued expenses	1,796	3,085
Employee on-costs*	111	47
GST Payable	168	9
FBT Payable	1	0
Total current payables	4,670	3,379

* Employee on-costs include payroll tax, WorkCover levies and superannuation contributions. The Office of National Rail Safety Regulator makes contributions to several State Government and Commercial superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to scheme managers.

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

The Office of the National Rail Safety Regulator

19. Employee benefits

	2017 \$'000	2016 \$'000
Current		
Accrued salaries and wages	301	126
Annual Leave	1,517	815
Long service leave	373	255
Total current employee benefits	2,191	1,196
Non-Current		
Long service leave	331	217
Total non-current employee benefits	331	217
Total Employee benefits	2,522	1,413

AASB 119 contains the calculation methodology for long service leave liability. AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government Bonds has decreased from 2016 (3.49%) to 2017 (2.41%).

The decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The Office of the National Rail Safety Regulator decreased the salary on-cost rate for long service leave and annual leave from 2016 (25.0%) to 2017 (17.3%).

The net financial effect of the change in the current financial year is a decrease in the long service leave liability and employee benefits expense. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions.

20. Other liabilities

	2017 \$'000	2016 \$'000
Current		
Unearned revenue	484	2,071
Total current other liabilities	484	2,071

21. Equity

	2017 \$'000	2016 \$'000
Retained Earnings	11,826	8,128
Reserve for transition expenses	0	918
Total Equity	11,826	9,046

22. Provisions

There are no unsettled workers compensation claims

23. Unrecognised contractual commitments

Capital Commitments

There are no Capital Commitments in the Office of the National Rail Safety Regulator.

Expenditure commitments - Other

	2017 \$'000	2016 \$'000
Within one year	1,042	1,399
Later than one year but no longer than five years	269	270
Total other commitments	1,311	1,669

Amounts disclosed include commitments arising from IT maintenance contracts and contractors.

The Office of the National Rail Safety Regulator

Operating lease commitments

	2017	2016
	\$'000	\$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	1,410	746
Later than one year but no longer than five years	5,916	852
Later than five years	5,325	966
Total operating lease commitments	12,651	2,564

The Office of the National Rail Safety Regulator's operating leases are for office accommodation and motor vehicles.

The leases are non-cancellable with terms ranging up to 10 years with some leases having the right of renewal. Rent is payable one month in advance.

24. Contingent assets and liabilities

The Office of the National Rail Safety Regulator is not aware of any contingent assets or liabilities.

25. Remuneration of board and committee members

Members during the 2016 - 2017 financial year were:

ONRSR Board

* Ms Susan McCarrey
Ms Catherine Scott
Mr Peter Batchelor

Audit & Risk Committee

Ms Catherine Scott
Mr Malcolm Renney

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

	2017	2016
	Number	Number
\$1 - \$9,999	1	1
\$60,000 - \$69,000	1	2
\$70,000 - \$79,999	1	0
Total number of members	3	3

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received or receivable by members was \$142,913 (\$134,259).

* Contracted employee whose salary is included under Employee benefit expenses in the Statement of Comprehensive Income.

26. Related Party Transactions

The Board of the Office of the National Rail Safety Regulator is established under the Rail Safety National Law (South Australia) Act 2012.

Related parties of the board include all key management personnel and their close family members.

Key Management Personnel

Key management personnel of the Office of the National Rail Safety Regulator include the board and the four Executive Directors who have responsibility for the strategic direction and management for the board. Total compensation for the board's key management personnel was \$1.548 million (\$1.287 million).

Transactions with Key Management Personnel and other related parties

There were no related party transactions disclosed by the key management personnel.

27. Events after the reporting period

There have been no significant events after the reporting period.

The Office of the National Rail Safety Regulator

Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Office of the National Rail Safety Regulator:

- complies with Section 263 of the Rail Safety National Law (South Australia) Act 2012 and Regulation 48 of *RSNL National Regulations*, and relevant Australian accounting standards;
- are in accordance with the accounts and records of the Office of the National Rail Safety Regulator; and
- presents a true and fair view of the financial position of the Office of the National Rail Safety Regulator as at 30 June 2017 and the results of its operation and cash flows for the financial year.

We certify the internal controls employed by the Office of the National Rail Safety Regulator for the financial year over its financial reporting and the preparation of the general purpose financial statements have been effective throughout the reporting period.



Chief Executive

31 / 8 / 2017



Executive Director - Corporate

31 / 8 / 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chief Executive The Office of the National Rail Safety Regulator

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 263 of the Schedule to the *Rail Safety National Law (South Australia) Act 2012*, I have audited the financial report of the Office of the National Rail Safety Regulator for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Office of the National Rail Safety Regulator as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance the provisions of the *Public Finance and Audit Act 1987* and the *Rail Safety National Law (South Australia) Act 2012* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chief Executive and the Executive Director, Corporate.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Office of the National Rail Safety Regulator. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Conduct for Professional Accountants have been met.

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

Responsibilities of the Chief Executive 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 provisions of the *Public Finance and Audit Act 1987* and the *Rail Safety National Law (South Australia) Act 2012* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

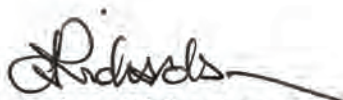
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

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

Andrew Richardson

Auditor-General

07 September 2017

Department of
Planning, Transport
and Infrastructure

Financial report
for the year ended
30 June 2017

Department of Planning, Transport and Infrastructure
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2017

	Note No	2017 \$'000	2016 \$'000
EXPENSES			
Employee benefit expenses	6	222,256	229,748
Supplies and services	7	891,374	833,768
Depreciation and amortisation expense	8	428,894	397,279
Net loss from the disposal of non-current assets	18	286	-
Grants and subsidies	9	131,521	108,556
Borrowing costs	10	914	939
Other expenses	11	73,730	40,846
Total Expenses		1,748,975	1,611,136
INCOME			
Fees and charges	12	625,167	614,150
Commonwealth revenues	13	557,025	243,747
Sale of goods and services	14	151,391	142,491
Rental income	15	214,010	214,922
Grants and subsidies	16	57,640	57,984
Interest	17	1,758	2,134
Net gain from the disposal of non-current assets	18	-	1,691
Resources received free of charge	19	22,105	3,418
Other income	20	71,133	54,981
Total Income		1,700,229	1,335,518
NET REVENUE FROM / (COST OF) PROVIDING SERVICES		(48,746)	(275,618)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	21	1,604,382	875,190
Payments to SA Government	21	(61,415)	(5,600)
Net Revenues from (payments to) SA Government		1,542,967	869,590
Net result		1,494,221	593,972
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to net result</i>			
Changes in property, network assets and plant and equipment asset revaluation surplus		100,753	43,856
Total Other Comprehensive Income		100,753	43,856
TOTAL COMPREHENSIVE RESULT		1,594,974	637,828

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

Department of Planning, Transport and Infrastructure
STATEMENT OF FINANCIAL POSITION
as at 30 June 2017

	Note No	2017 \$'000	2016 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	22	3,263,659	2,125,707
Receivables	23	206,524	168,416
Inventories	24	10,878	10,949
Other assets	25	57,017	45,552
Non-current assets classified as held for sale	26	13,281	140,157
Total Current Assets		3,551,359	2,490,781
NON-CURRENT ASSETS:			
Receivables	23	6,981	7,636
Other assets	25	39,602	44,244
Land, buildings and facilities	27	2,709,715	2,598,012
Plant and equipment	28	670,006	724,564
Network assets	29	20,225,290	20,228,798
Capital works in progress	30	1,400,625	713,867
Intangible assets	31	31,828	33,597
Total Non-Current Assets		25,084,047	24,350,718
Total Assets		28,635,406	26,841,499
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	33	265,996	230,167
Borrowings	34	2,265	2,273
Employee benefits	35	32,908	30,921
Provisions	36	13,476	9,446
Other liabilities	37	24,290	22,283
Total Current Liabilities		338,935	295,090
NON-CURRENT LIABILITIES:			
Payables	33	25,232	25,129
Borrowings	34	12,213	12,773
Employee benefits	35	66,190	67,379
Provisions	36	10,098	15,608
Other liabilities	37	42,612	48,038
Total Non-Current Liabilities		156,345	168,927
Total Liabilities		495,280	464,017
NET ASSETS		28,140,126	26,377,482
EQUITY:			
Retained earnings		10,139,922	8,644,738
Asset revaluation surplus		14,695,736	14,597,659
Contributed capital		3,304,468	3,135,085
Total Equity		28,140,126	26,377,482

Total equity is attributable to the SA Government as owner.

Unrecognised contractual commitments	40
Contingent assets and liabilities	41

Department of Planning, Transport and Infrastructure
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2017

	Note No	Contributed Capital \$'000	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 30 June 2015		2,836,896	14,540,197	8,074,132	25,451,225
Prior Period - error corrections identified in 2016-17		-	-	(6,028)	(6,028)
Prior Period - error corrections identified in 2015-16	38	-	-	(2,031)	(2,031)
Restated Balance at 30 June 2015		2,836,896	14,540,197	8,066,073	25,443,166
Net result for 2015-16		-	-	593,972	593,972
Gain (loss) on Revaluation of Property during 2015-16		-	(306,667)	-	(306,667)
Gain (loss) on Revaluation of Network Assets during 2015-16		-	342,332	-	342,332
Gain (loss) on Revaluation of Plant and Equipment during 2015-16		-	8,191	-	8,191
Total Comprehensive Result for 2015-16		-	43,856	593,972	637,828
Transfer between equity components					
Equity transfer on asset disposals		-	13,606	(13,606)	-
Other		-	-	5	5
Transactions with SA Government as Owner					
Equity Contribution Received		298,189	-	-	298,189
Dividends Paid		-	-	(1,706)	(1,706)
Balance at 30 June 2016		3,135,085	14,597,659	8,644,738	26,377,482
Net result for 2016-17		-	-	1,494,221	1,494,221
Gain (loss) on Revaluation of Property during 2016-17		-	2,773	-	2,773
Gain (loss) on Revaluation of Network Assets during 2016-17		-	102,572	-	102,572
Gain (loss) on Revaluation of Plant and Equipment during 2016-17		-	(4,592)	-	(4,592)
Total Comprehensive Result for 2016-17		-	100,753	1,494,221	1,594,974
Transfer between equity components					
Equity transfer on asset disposals		-	(2,676)	2,676	-
Other		-	-	(7)	(7)
Transactions with SA Government as Owner					
Equity Contribution Received		169,383	-	-	169,383
Dividends Paid		-	-	(1,706)	(1,706)
Balance at 30 June 2017		3,304,468	14,695,736	10,139,922	28,140,126

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

Department of Planning, Transport and Infrastructure
STATEMENT OF CASH FLOWS
for the year ended 30 June 2017

	Note No	2017 \$'000 Inflows (Outflows)	2016 \$'000 Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefit payments		(222,867)	(233,915)
Payments for supplies and services		(1,335,666)	(1,115,044)
Payments of grants and subsidies		(130,384)	(106,676)
Interest paid		(914)	(939)
Construction work payments		(373,561)	(266,669)
Lease incentives		(742)	(1,119)
Other payments		(26,077)	(41,154)
Cash used in Operations		(2,090,211)	(1,765,516)
CASH INFLOWS:			
Fees and charges		625,167	610,033
Receipts from Commonwealth		557,035	243,791
Rental income		259,836	248,368
Sale of goods and services		385,922	368,561
Grants and subsidies		57,640	58,403
Interest received		2,450	2,512
Construction work reimbursements		397,134	253,757
GST received from the ATO		127,149	81,636
Lease incentives		-	1,467
Other receipts		91,804	84,643
Cash generated from Operations		2,504,137	1,953,171
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		1,604,382	875,190
Payments to SA Government		(61,415)	(5,600)
Cash Generated from SA Government		1,542,967	869,590
Net Cash provided by (used in) Operating Activities	42	1,956,893	1,057,245
CASH FLOWS FROM INVESTING ACTIVITIES			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(271,686)	(313,063)
Purchase of network assets		(719,881)	(361,161)
Cash Used in Investing Activities		(991,567)	(674,224)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		6,834	24,098
Cash generated from Investing Activities		6,834	24,098
Net Cash provided by (used in) Investing Activities		(984,733)	(650,126)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Payment of dividend to SA Government		(1,706)	(1,706)
Residential housing loan advancements		(162)	(94)
Repayment of borrowings		(563)	(521)
Repayment of finance leases		(1,944)	(1,794)
Cash Used in Financing Activities		(4,375)	(4,115)
CASH INFLOWS:			
Equity contributions received		169,383	298,189
Principal repayments residential housing		784	741
Cash generated from Financing Activities		170,167	298,930
Net Cash provided by (used in) Financing Activities		165,792	294,815
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		1,137,952	701,934
CASH AND CASH EQUIVALENTS AT 1 JULY		2,125,707	1,423,773
CASH AND CASH EQUIVALENTS AT 30 JUNE	22	3,263,659	2,125,707

Department of Planning, Transport and Infrastructure
DISAGGREGATED DISCLOSURES - EXPENSES AND INCOME
For the Year Ended 30 June 2017

	Land Use Planning		Recreation, Sport and Racing		Office of Local Government		Roads and Marine	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:								
Employee benefit expenses	16,762	15,790	8,298	9,885	1,144	992	76,213	80,831
Supplies and services	6,901	4,658	5,492	5,803	1,013	590	200,114	158,439
Depreciation and amortisation expense	143	131	8,071	7,880	-	-	241,615	238,131
Loss from the disposal of non-current assets	-	-	-	-	-	-	-	-
Grants and subsidies	7,491	3	55,747	37,682	-	-	2,856	3,661
Borrowing costs	-	-	45	80	-	-	-	77
Other expenses	9	11	174	140	1	1	62,387	27,476
Total Expenses	31,306	20,593	77,827	61,470	2,158	1,583	583,185	508,615
INCOME:								
Fees and charges	6,473	7,352	-	3	-	-	499,313	488,424
Commonwealth revenues	-	-	220	232	-	-	542,151	232,975
Sale of goods and services	1,167	928	433	476	-	-	3,457	3,285
Rental income	-	-	259	172	-	-	2,945	2,835
Grants and subsidies	-	-	469	451	-	-	-	-
Interest	-	-	1	-	-	-	507	538
Net gain from the disposal of non-current assets	-	-	21	-	-	-	47	11,073
Resources received free of charge	-	-	-	711	-	-	6,692	1,808
Other income	1,399	1,115	8,005	4,509	-	-	42,675	34,997
Total Income	9,039	9,395	9,408	6,554	-	-	1,097,787	775,935
NET REVENUE FROM (COST OF) PROVIDING SERVICES	(22,267)	(11,198)	(68,419)	(54,916)	(2,158)	(1,583)	514,602	267,320

Department of Planning, Transport and Infrastructure
DISAGGREGATED DISCLOSURES - EXPENSES AND INCOME
For the Year Ended 30 June 2017

	Public Transport		Infrastructure Planning and Management		Road Safety		TOTAL
	2017	2016	2017	2016	2017	2016	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:							
Employee benefit expenses	39,882	39,173	74,928	77,021	5,029	6,056	229,748
Supplies and services	363,877	353,579	308,065	304,979	5,912	5,720	833,768
Depreciation and amortisation expense	123,608	115,207	54,300	35,080	1,157	850	397,279
Loss from the disposal of non-current assets	-	223	363	9,165	-	-	9,388
Grants and subsidies	12,886	14,546	6,899	8,827	45,642	43,837	108,556
Borrowing costs	-	-	869	782	-	-	939
Other expenses	2,137	751	8,986	10,793	36	1,674	40,846
Total Expenses	542,390	523,479	454,410	446,647	57,776	58,137	1,620,524
INCOME:							
Fees and charges	93,258	92,511	23,554	23,317	2,569	2,543	614,150
Commonwealth revenues	-	30	3,433	225	11,221	10,285	243,747
Sale of goods and services	5	171	146,329	137,631	-	-	142,491
Rental income	190	246	210,616	211,669	-	-	214,922
Grants and subsidies	57,130	57,514	41	19	-	-	57,984
Interest	-	-	958	1,220	292	376	2,134
Net gain from the disposal of non-current assets	9	-	-	-	-	6	11,079
Resources received free of charge	-	-	15,413	899	-	-	3,418
Other income	12,175	11,497	6,879	2,863	-	-	54,981
Total Income	162,767	161,969	407,223	377,843	14,082	13,210	1,344,906
NET REVENUE FROM (COST OF) PROVIDING SERVICES	(379,623)	(361,510)	(47,187)	(68,804)	(43,694)	(44,927)	(275,618)

Department of Planning, Transport and Infrastructure
DISAGGREGATED DISCLOSURES - ASSETS AND LIABILITIES
as at 30 June 2017

	Land Use Planning		Recreation, Sport and Racing		Office of Local Government	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS:						
Cash and cash equivalents	-	-	-	-	-	-
Receivables	43	156	117	500	-	-
Inventories	-	-	-	-	-	-
Other assets	33	33	52	97	-	-
Non-current assets classified as held for sale	-	-	-	-	-	-
Land, buildings and facilities	-	-	283,811	289,868	-	-
Plant and equipment	1	20	777	775	-	-
Network assets	-	-	-	-	-	-
Capital works in progress	-	-	2,135	118	-	-
Intangible assets	376	246	-	20	-	-
Total Assets	453	455	286,892	291,378	-	-
LIABILITIES:						
Payables	1,369	1,080	2,696	3,880	72	55
Borrowings	-	-	269	260	-	-
Employee benefits	9,396	8,272	4,652	5,178	641	520
Provisions	575	621	285	389	39	39
Other liabilities	13	13	1,374	248	-	-
Total Liabilities	11,353	9,986	9,276	9,955	752	614

Department of Planning, Transport and Infrastructure
DISAGGREGATED DISCLOSURES - ASSETS AND LIABILITIES
as at 30 June 2017

	Roads and Marine			Public Transport			Infrastructure Planning and Management		
	2017	2016	2017	2016	2017	2016	2017	2016	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
ASSETS:									
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
Receivables	60,619	62,986	5,883	5,761	140,937	100,393			
Inventories	3,777	4,577	7,099	6,370	2	2			
Other assets	36,853	21,835	130	559	59,551	67,258			
Non-current assets classified as held for sale	-	-	-	-	13,281	140,157			
Land, buildings and facilities	832,901	826,239	376,504	392,609	1,215,802	1,088,756			
Plant and equipment	50,212	49,863	581,896	638,160	34,529	33,645			
Network assets	18,426,711	18,373,260	1,798,579	1,842,438	-	13,100			
Capital works in progress	1,306,704	660,346	33,191	3,879	54,855	44,961			
Intangible assets	7,114	8,749	2,257	2,463	22,044	21,765			
Total Assets	20,724,891	20,007,855	2,805,539	2,892,239	1,541,001	1,510,037			
LIABILITIES:									
Payables	141,472	100,107	50,413	42,258	93,820	106,849			
Borrowings	-	-	-	-	14,209	14,786			
Employee benefits	17,479	20,805	22,356	20,521	41,755	39,832			
Provisions	18,575	19,224	1,369	1,541	2,558	3,002			
Other liabilities	1,818	1,212	9,719	8,321	53,889	60,246			
Total Liabilities	179,344	141,348	83,857	72,641	206,231	224,715			

Department of Planning, Transport and Infrastructure
DISAGGREGATED DISCLOSURES - ASSETS AND LIABILITIES
as at 30 June 2017

	Road Safety		General / Not Attributable			TOTAL	
	2017	2016	2017	2016		2017	2016
	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000
ASSETS:							
Cash and cash equivalents	-	-	3,263,659	2,125,707		3,263,659	2,125,707
Receivables	200	-	5,706	6,256		213,505	176,052
Inventories	-	-	-	-		10,878	10,949
Other assets	-	14	-	-		96,619	89,796
Non-current assets classified as held for sale	-	-	-	-		13,281	140,157
Land, buildings and facilities	697	540	-	-		2,709,715	2,598,012
Plant and equipment	2,591	2,101	-	-		670,006	724,564
Network assets	-	-	-	-		20,225,290	20,228,798
Capital works in progress	3,740	4,563	-	-		1,400,625	713,867
Intangible assets	37	354	-	-		31,828	33,597
Total Assets	7,265	7,572	3,269,365	2,131,963		28,635,406	26,841,499
LIABILITIES:							
Payables	1,386	1,067	-	-		291,228	255,296
Borrowings	-	-	-	-		14,478	15,046
Employee benefits	2,819	3,172	-	-		99,098	98,300
Provisions	173	238	-	-		23,574	25,054
Other liabilities	-	-	89	281		66,902	70,321
Total Liabilities	4,378	4,477	89	281		495,280	464,017

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2017

Note 1: Objectives of the Department of Planning, Transport and Infrastructure

The Department of Planning, Transport and Infrastructure (the Department) has diverse responsibilities for transport systems and services, infrastructure planning and provision, sporting infrastructure, and strategic land use within South Australia.

The Department ensures that South Australia's needs for the movement of people and freight, and the delivery of services across the transport and infrastructure sectors, are met in a safe, efficient, cost effective and sustainable manner. The Department also plays a leadership role in the management of public sector building assets and infrastructure, elite sports pathways, administration of the State's land titles, and the State's land use and development planning for all South Australians.

Note 2: Departmental Organisation

The structure of the Department has been established in a manner that provides clear accountabilities and responsibilities for all divisions and enables an open and steady flow of information between these areas.

The divisions of the Department as at 30 June 2017 are:

- People and Business
- Safety and Service
- Development

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2017

Note 3: Significant Accounting Policies

3.1 Statement of Compliance

The Department has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

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

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

3.2 Basis of Preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and the exercise of judgement in the process of applying the Department's accounting policies. Any areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- 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 following note disclosures are included in this financial report:
 - a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within SA Government as at reporting date, classified according to their nature;
 - b) expenses incurred as a result of engaging consultants;
 - c) employee targeted voluntary separation package information;
 - d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees; and
 - e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The financial statements have been prepared based on a 12 month operating cycle with amounts presented in Australian currency.

3.3 Reporting Entity

The Department is a government department of the State of South Australia, established pursuant to the *Public Sector Act 2009*. The Department is an administrative unit acting on behalf of the Crown.

The financial statements and accompanying notes include all the controlled activities of the Department.

The Department does not control any other entity and has no interests in unconsolidated structured entities.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2017

Transactions and balances relating to administered resources are not recognised as Departmental controlled income, expenses, assets and liabilities.

As administered items are significant in relation to the Department's overall financial performance and position, they are disclosed in the Administered Financial Statements following the controlled Departmental general purpose financial statements. Except as otherwise disclosed administered items are accounted for on the same basis and using the same accounting policies as for Departmental transactions.

3.4 Comparative Information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements has required a change or where prior period errors are corrected.

Where retrospective application of changes to accounting policies and recognition of errors has occurred, relevant comparative amounts have been amended.

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

3.5 Rounding

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

3.6 Business Overheads

The Department adopts a full cost approach to the costing of its infrastructure capital and recurrent works. This methodology requires the allocation of a proportionate share of overheads to these activities based on a regime of cost drivers. Costs that are typically allocated using these cost drivers include general engineering and field related expenses, and goods or services that support the resources directly engaged in working on these activities.

Business overheads relating to those functions or areas responsible for the management and control of property, building, information and communication technology assets are allocated across the Department. Business areas incurring these costs allocate the costs to specific activities and programs in line with the Department's full cost approach methodology.

Costs normally associated with the establishment and operation of governance frameworks designed to support the role of Executive Management are not attributed to individual specific works and are borne by the Department as a whole.

3.7 Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, income tax equivalents and local government rate equivalents.

With respect to goods and services tax, income, expenses and assets are recognised net of the amount of GST except:

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

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2017

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

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

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

The Department prepares a Business Activity Statement on behalf of its controlled entities, administered items and other clients to which it provides business services under the grouping provisions of the GST legislation. Under the grouping provisions, the Department is liable for the GST payments and entitled to the GST receipts associated with these entities and items. The GST applicable forms part of the receivables and payables recorded in the Department's Statement of Financial Position and the GST cash flows recorded in the Department's Statement of Cash Flows.

With respect to tax equivalents, the Department is liable to pay income tax equivalents to the Consolidated Account in relation to the commercial operations of the Property Directorate. In determining its tax equivalent commitments, the Department utilises the 'Accounting Profits' model. Under this model, income tax expense is calculated separately for each taxable entity by applying the companies' income tax rate (currently 30%) to the accounting profit for the year. Income tax equivalent payments are included in Payments to SA Government in the Statement of Comprehensive Income.

3.8 Events After the Reporting Period

Adjustments are made to amounts recognised in the financial statements where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June and are material. Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

3.9 Current and Non-Current Classification

Assets and liabilities are classified as either current or non-current in nature. Assets and liabilities that are to be sold, consumed or realised as part of the 12 month operating cycle are classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

3.10 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.

Contracts in Progress

The Department acts as project manager for major capital works in relation to government buildings or government accommodation and for a range of minor capital works and maintenance type activities associated with the role of facilities manager.

Profits on major capital works contracts are brought to account on a percentage of completion basis as determined under current engineering estimates and in accordance with Australian Accounting Standard *AASB 111 Construction Contracts*. Where losses are foreseeable, such losses are provided in full based on current engineering estimates.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2017

The expenses incurred in undertaking these capital works and/or maintenance activities and the revenue from charging the respective government departments are transacted within the Statement of Financial Position. The net of the expenditure incurred and the revenue recovered is accounted for as a receivable or payable.

Non-Current Assets:

Acquisition and Recognition

The Department capitalises non-current physical assets with an individual or grouped value of \$10,000 or greater in accordance with policies that are consistent with Accounting Policy Framework III *Asset Accounting Framework* and the requirements of Accounting Standard AASB 116 *Property, Plant and Equipment*. Exceptions to this policy are assets under construction, land and buildings and assets categorised as "grouped assets" in the Department's policy which are capitalised irrespective of their value.

Assets under construction are capitalised from Capital Works in Progress to the appropriate asset classes at the completion of the project. Project costs that do not meet the recognition criteria of an asset are expensed.

APS 9.6 specifies that land under roads acquired before 1 July 2008, is not to be recognised by the Department as an asset. However, any land under roads acquired after 1 July 2008 has been recognised by the Department in accordance with AASB 1051 *Land Under Roads*, paragraph 15, when the asset recognition criteria are met. Land under roads includes land under roadways, road reserves, footpaths, nature strips and median strips.

Buildings or other structures residing on land acquired for current road projects are not separately recognised in the Statement of Financial Position. The costs incurred in acquiring the buildings in these instances are deemed to be part of the costs of acquiring the land.

Non-current assets acquired and recognised by the Department are initially recorded at cost or at the value of any liabilities assumed, plus any incidental costs incurred with the acquisition. Where the Department acquires assets at no cost, or minimal cost, these items are recorded at their fair value in the Statement of Financial Position. If the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recognised at book value i.e. the amount recorded by the transferor entity immediately prior to the restructure.

Depreciation and Amortisation

The useful life of an asset is generally determined on the basis of "economic useful life to the Department". The useful lives of all major assets held by the Department are reassessed on an annual basis

All non-current assets having a limited useful life are systematically depreciated/amortised over their estimated useful lives in a manner that reflects the consumption of their service potential. Land, unsealed roads (graded and formed), rail and road earthworks, non-current assets held-for-sale and works in progress are not depreciated.

The value of equipment assets under finance lease is amortised over the shorter of the lease term and the underlying asset's useful life. The value of building assets under finance lease is amortised over the asset's useful life. Capitalised software is amortised over the useful life of the intangible asset.

Depreciation, amortisation for non-current assets are determined as follows:

<u>Asset Class</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and Facilities:		
Buildings and facilities	Straight Line	3 to 146 years
Plant and Equipment:		
Plant and equipment	Straight Line	2 to 91 years

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2017

<u>Asset Class</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buses	Diminishing Value	8 to 25 years
Tram and train rolling stock	Straight Line	30 years
Information technology	Straight Line	3 to 10 years
Network Assets:		
Roads (sealed surface)	Straight Line	22 to 29 years
Roads (sealed pavement)	Straight Line	40 to 70 years
Roads (sheeted)	Straight Line	18 years
Bridges and culverts	Straight Line	32 to 155 years
Metro rail lines track and structures	Straight Line	7 to 206 years
Bus track and structures	Straight Line	10 to 91 years
Other	Straight Line	4 to 100 years
Intangible Assets:		
Software	Straight Line	3 to 14 years

Pavement sub-base, Earthworks, Graded and formed unsealed roads have indefinite useful lives and are not depreciated

Revaluation of Non-Current Assets

In accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 3.1 and 3.13, the Department revalues all its non-current physical assets to their estimated fair value. Revaluations are performed only in instances where the fair value of the asset or asset group at the time of acquisition is greater than \$1 million and the estimated useful life is greater than three years.

The Department generally revalues its assets every three years and always within six years, depending on the nature or purpose for which that asset is held. Assets are revalued by appropriately qualified valuation professionals, internal experts using external estimators or internal estimates based on recent transactions/indices. All valuers are independent unless otherwise indicated. The Valuer-General is considered an independent valuer as the Valuer-General is independent of the other functions of the Department.

When non-current assets are revalued, the Department uses the gross method in accounting for most assets with the exception of land and buildings that are subject to commercial leases and held for provision of government agency accommodation and for provision of housing of government employees in remote areas.

If at any time the carrying amount of an asset materially differs from its fair value, the Department revalues the asset regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are either held at cost until the next valuation, or revalued if the fair value is likely to be materially different from the acquisition value. The Department assesses material differences in fair value from notification from business units or changes in circumstances and environmental factors that the Department becomes aware of.

Revaluation movements are recorded in the Revaluation reserves. 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.

The valuation methodology applied to specific classes of non-current assets under revaluations and the timing of asset valuations are disclosed in the Notes applicable to those assets. See Notes 26 to 32.

Department of Planning, Transport and Infrastructure
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For the year ended 30 June 2017

Impairment

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets, an impairment loss is offset against the respective asset revaluation surplus. There were no impaired assets for 2016-17.

Remediation of Non-Current Assets

Land remediation undertaken by the Department is primarily designed to restore the asset to its original state or condition and would not normally meet the criteria for asset recognition under *AASB 116 Property, Plant and Equipment*.

Where remedial work is to be performed in response to a present obligation, either under legislation or under a contractual arrangement to a third party, the Department recognises a provision for any future work in accordance with the requirements of *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*. Other land remediation costs are therefore expensed in the period in which the obligation is recognised.

Fair Value Measurement

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

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

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date. The Department does not have any Level 1 assets.
- Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included within Level 1) that are observable for the asset, either directly or indirectly. For example, the Department has domestic housing and commercial building assets that are valued by comparing the subject properties to similar properties in similar areas.
- Level 3 – not traded in an active market and are derived from unobservable inputs. Examples in the Department include the rail and road networks.

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

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

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

Refer to Notes 26 to 32 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

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3.11 Liabilities

Leases

The Department has entered into finance leases and operating leases both as lessor and lessee and has recognised assets, liabilities, revenues and expenses associated with these business dealings in accordance with AASB 117 *Leases*.

Finance Leases

Finance leases, which transfer to the Department substantially all the risks and benefits/rewards incidental to ownership of the leased assets, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

Minimum lease payments are allocated, between interest expense/borrowing costs and reduction of the lease liability, to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Where there is no reasonable assurance that the Department will obtain ownership of the capitalised asset at the end of the lease term, the asset is amortised over the shorter of the lease term and its useful life.

Finance Leases – the Department as Lessor

- *Recreational Jetties*

The Department has entered into leases as lessor, in regards to the Government's Recreational Jetties Divestment Program where jetties have been leased to Councils throughout the state. Peppercorn rents of \$1 per annum apply over the 25 or 99 year lease term for each lease.

Under the terms of the lease agreement, these leases have been categorised as finance leases due to the passing of risks and benefits incidental to ownership to the lessee. Since the leases provide no material revenue to the Department, the leases have nil value. The underlying assets have no value recorded in the Financial Statements.

- *Government Employee Housing*

The Department provides housing services on a leasehold basis to government employees based in remote areas of the state. As lessor, the Department recognises finance lease receivables in relation to these properties at an amount equal to the net investment in the lease.

Finance lease interest income is recognised based on the periodic rate of return on that net investment. Lease payments from the lessee are applied against the gross investment in the lease to reduce both the principal and the unearned interest income.

Finance Leases – the Department as Lessee

- *Government Accommodation – Roma Mitchell Building*

The Department is responsible for the finance lease in relation to government office accommodation for Roma Mitchell House, North Terrace and has recognised assets and liabilities at the fair value of the leased property. Lease liabilities under these arrangements are classified as both current and non-current, with the minimum lease payments allocated between interest expense/borrowing costs and the reduction of lease liability for the period.

The 40 year lease on Roma Mitchell House commenced in July 1987. Ownership of the building will transfer to the Department on payment of a nominal sum at the end of the lease. Under the terms and

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conditions of the lease agreement, the Department is also liable to pay contingent rentals based on the Adelaide Consumer Price Index.

- *Computer Hardware and Equipment*

The Department has entered into various lease arrangements as lessee with respect to the use of some of its computer hardware and equipment. Under the Australian Accounting Standards such agreements are treated as finance leases.

Operating Leases

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

- *Operating Leases – the Department as Lessor*

The Department leases commercial properties to external parties through operating leases. Income derived from these leases is recognised as rental income in the Statement of Comprehensive Income in the period in which it is earned, and is representative of the patterns of benefits derived from the leased assets.

- *Operating Leases – the Department as Lessee*

The Department has a number of operating lease agreements as lessee for land, motor vehicles, office equipment, other plant and commercial and residential accommodation. Operating lease payments are charged to the Statement of Comprehensive Income on a basis that is representative of the pattern of benefits derived from the leased assets.

- *Lease Incentives*

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

The aggregate benefits of the lease incentives received are recorded as a reduction of rental expense over the lease term on a straight line basis. Incentives provided to sub-lessees are recognised as a lease incentive asset. This asset is amortised over the life of the lease and recognised as a reduction of rental revenue on a straight line basis.

Lease incentives in the form of leasehold improvements that are not subject to a sub-lease are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

Employee Benefits

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

- *Salaries and Wages, Annual Leave, Sick Leave and Skills and Experience Retention Leave.*

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

The liability for annual leave and the skills and experience retention leave is expected to be payable within 12 months and is measured at the undiscounted amounts expected to be paid.

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

- *Long Service Leave*

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The long service leave liability has been allocated between current and non-current liabilities using the leave pattern history of previous years.

3.12 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 amount. (Refer to Note 40).

Contingent assets and liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of 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 to, the Australian Taxation Office (ATO). If GST is not payable to the ATO, the commitments and contingencies are disclosed on a gross basis.

Note 4: New and Revised Accounting Standards and Policies

The Department did not voluntarily change any of its accounting policies during 2016-17.

Accounting Standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the reporting period ending 30 June 2017. The Department has assessed the impact of the new and amended standards and interpretations.

The new standard AASB 16 *Leases* will apply for the first time to the Department's 30 June 2020 financial report. It introduces a single lessee accounting model. It requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.

This new standard is a significant change from the past 30 years of accounting for leases. It will require the Department to record almost all lease arrangements on-balance sheet. There will be significant work for the Department to bring all leases currently treated as operating onto balance sheet. The Department will analyse its current leasing arrangements based on AASB 16 and will apply the new standard from the reporting period beginning 1 July 2019.

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AASB 15 *Revenue from Contracts with Customers* will replace the existing AASB 118 *Revenue* and applies to reporting periods beginning on or after 1 January 2019. AASB 15 *Revenue from Contracts with Customers* introduces a five step process for revenue recognition with the core principle being to recognise revenue 'when control of a good or service transfers to a customer'. This is effectively when performance obligations have been met, rather than the former model of 'where the risk and rewards of ownership reside'. AASB 15 *Revenue from Contracts with Customers* will generally result in increased disclosures.

The changes in AASB 15 may result in changes to the timing and amount of revenue recognised by the Department. Some revenue may need to be deferred to a later reporting period to the extent that the Department has received cash but has not yet met the associated performance obligations.

AASB 1058 *Income of Not-for-Profit Entities* will replace a number of income recognition requirements under AASB 1004 *Contributions* and applies to reporting periods beginning on or after 1 January 2019. The timing of income recognition depends on whether a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity. Where there is no liability to be recognised under another standard, or the liability is less than the fair value of the asset received then revenue is recognised.

The Department has not yet quantified the impact of applying AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* and the resulting impact on the statement of comprehensive income.

Department of Planning, Transport and Infrastructure
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For the year ended 30 June 2017

Note 5: Activities of the Department

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

- Activity 1 Land Use Planning**
Administering the South Australian Planning and Development System, leading and presenting South Australia's strategic land use and development planning, and assessing applications for land use and development.
- Activity 2 Recreation, Sport and Racing**
Provision of strategic policy, programs, services, sporting infrastructure and elite sport pathways aimed at increasing participation, developing a sustainable sport and recreation sector and ensuring that all South Australians are able to enjoy lives enriched through participation in active recreation and sport.
- This program also includes the provision of strategic policy advice to the Minister for Recreation and Sport on matters relating to the South Australian racing industry.
- Activity 3 Office of Local Government**
The Office of Local Government provides policy and other advice to the Minister for Local Government.
- Activity 4 Roads and Marine**
Provision of safe, effective and efficient maintenance and operational services to manage the Department's controlled road and marine infrastructure. This program also includes the regulation of driver and vehicle access to the transport network.
- Activity 5 Public Transport**
Provision and maintenance of safe, efficient, equitable and accessible public transport services and infrastructure in metropolitan Adelaide and assist regional councils and communities to deliver diverse passenger transport services.
- Activity 6 Infrastructure Planning and Management**
Provision of planning and investment advice for state transport infrastructure and services to government agencies in relation to the construction and maintenance of building and properties. The program also includes statutory services and information to the community related to land titling, surveying, valuation and other land administration functions.
- Activity 7 Road Safety**
Provision of policy and investment advice, community information on road safety, and the provision of services on safe and sustainable road use and travel behaviour.

The disaggregated disclosures schedules present expenses, income, assets and liabilities information attributable to each of the activities for the years ended 30 June 2017 and 30 June 2016.

Department of Planning, Transport and Infrastructure
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Note 6: Employee Benefit Expenses

	2017	2016
	\$'000	\$'000
Salaries and wages	161,636	158,967
Board and committee fees (refer below)	582	472
Employment on-costs - superannuation	17,645	18,455
Employment on-costs - payroll	9,729	9,750
Annual leave	15,695	16,393
Long service leave	6,979	7,283
Workers compensation expenses	740	5,068
TVSPs payments (refer below)	5,834	9,792
Skills and Experience Retention Leave	988	1,036
Other employee related expenses	2,428	2,532
Total Employee Benefit Expenses	222,256	229,748

Targeted Voluntary Separation Packages (TVSPs)

	2017	2016
	\$'000	\$'000
Amounts paid during the reporting period to separated employees:		
TVSPs	5,834	9,792
Annual leave, LSL and SERL paid to those employees	4,103	7,212
	9,937	17,004
Recovery from the Department of Treasury and Finance	-	(9,840)
Net Cost to the Department	9,937	7,164

The number of employees who received a TVSP during the reporting period was 87 (152).

The Department did not receive any reimbursement for TVSP's taken in 2016-17.

In addition, there were executive termination payments of \$0.317 million (\$1.380 million) paid during the year.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
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Remuneration of Employees

	2017	2016
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
\$145 000 - \$147 000 *	n/a	3
\$147 001 - \$157 000	11	12
\$157 001 - \$167 000	17	11
\$167 001 - \$177 000	10	8
\$177 001 - \$187 000	3	3
\$187 001 - \$197 000	3	4
\$197 001 - \$207 000	3	1
\$207 001 - \$217 000 (d)	7	8
\$217 001 - \$227 000	2	2
\$227 001 - \$237 000 (d)	1	3
\$237 001 - \$247 000 (b), (f)	3	5
\$247 001 - \$257 000 (a), (e)	3	3
\$257 001 - \$267 000 (e)	1	3
\$267 001 - \$277 000 (d)	-	1
\$277 001 - \$287 000 (e)	1	2
\$287 001 - \$297 000 (b), (d)	2	1
\$297 001 - \$307 000 (a), (d)	1	2
\$307 001 - \$317 000 (c)	4	1
\$317 001 - \$327 000	2	1
\$337 001 - \$347 000	-	1
\$367 001 - \$377 000 (d)	-	1
\$407 001 - \$417 000	1	-
\$417 001 - \$427 000	-	1
\$487 001 - \$497 000 (d)	-	1
\$497 001 - \$507 000 (d)	-	1
\$737 001 - \$747 000 (d)	-	1
Total Number of Employees	75	80

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration for 2015-16.

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 \$15.2 million (\$17.7 million).

- (a) 2017 - includes TVSP, executive termination payment for one employee
- (b) 2017 - includes TVSP, executive termination payment for two employees
- (c) 2017 - includes TVSP, executive termination payment for three employees
- (d) 2016 - includes TVSP, executive termination payment for one employee
- (e) 2016 - includes TVSP, executive termination payment for two employees
- (f) 2016 - includes TVSP, executive termination payment for four employees

The Department had 38 (40) number of Executives as at 30 June 2017.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
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Remuneration of Board and Committee Members

Members during the 2016-17 financial year were:

Passenger Transport Standards Committee

BASSHAM I G (re-appointed 1/7/2016)
 BIRCH C P (re-appointed 1/7/2016)
 BORLACE M S (re-appointed 1/7/2016)
 BURTON G R (re-appointed 1/7/2016)
 GOULD J (re-appointed 1/7/2016)
 GUNNER D J* (re-appointed 1/7/2016)
 HANLON S A (re-appointed 1/7/2016)
 KING B (re-appointed 1/7/2016)
 MADAN V (re-appointed 1/7/2016)
 MCKENZIE J D B (re-appointed 1/7/2016)
 MORTIMER K P * (re-appointed 1/7/2016)
 O'DEA M (re-appointed 1/7/2016)
 OPIE A L (re-appointed 1/7/2016)
 PARRY- JONES K (re-appointed 1/7/2016)
 POTTS D G (re-appointed 1/7/2016)
 TIDDY J M (re-appointed 1/7/2016)
 TIDEMAN J (re-appointed 1/7/2016)
 WIGGLESWORTH R * (re-appointed 1/7/2016)

Development Assessment Commission

BRANFORD C J (re-appointed 9/7/2016)
 CRAFTER S J (re-appointed 9/7/2016)
 DUNGEY P J (re-appointed 9/7/2016)
 DYER H (re-appointed 9/7/2016)
 FOGARTY S M (re-appointed 9/7/2016)
 JENKE E (appointed 19/8/2016)
 KOWALICK I (appointed 19/8/2016)
 LEWIS R (appointed 18/4/2016)
 MUTTON D R (re-appointed 9/7/2016)
 O'LOUGHLIN D A (re-appointed 9/7/2016)

Building Advisory Committee

CARUSO A
 FENNELL B
 HARMER P J
 KAMENCAK G *
 KARUPPIAH N
 O'DEA D
 ROWLAND K
 SHILLABEER J

Audit and Risk Committee

BROWN G *
 COOPER C
 JOHNSON C (appointment ended 31/8/2016)
 MCQUILLAN S *
 POWELL D (re-appointed 1/3/2017)
 SNEDDON Y (appointed 13/10/2016)
 TEPOHE J *

Local Heritage Advisory Committee

DITTER S L S
 FITZPATRICK S R *
 HARRY D B
 LEADBETER P D
 LEYDON G J
 LINDSAY D M*
 SCHULZ J
 TAYLOR R J

Development Policy Advisory Committee

FILBY S
 HOOPER S P
 HOWDEN S V
 KLOBAS M J
 LEWIS F
 MOULDS B J
 STARICK S R
 STIMSON J A
 THOMAS R A
 VINCENT C

Building Rules Assessment Commission

AGGISS J *
 CAPETANAKIS G
 CARUSO C
 FRISBY D
 HOPKINS K
 INGERSON N
 LOCHERT R *
 MAZZAROLO J
 MENADUE B
 PATON C *
 PAYNE B
 PAYNE J *
 PRELGAUSKUS E
 ROBINSON D
 SLOAN D
 STEER B
 TAYLOR A

Inner Metropolitan Development Assessment Commission

BAILEY D (appointed 1/7/2016)
 BATEUP R (re-appointed 1/7/2016)
 BRANFORD C (re-appointed 1/7/2016)
 BURMAN B (re-appointed 1/7/2016)
 CHANDLER W (appointed 1/7/2016)
 COOKE D (re-appointed 1/7/2016)
 CRAFTER S J (re-appointed 1/7/2016)
 DUNGEY P J (re-appointed 1/7/2016)
 DUNN C M (appointed 1/7/2016)
 DYER H L (re-appointed 1/7/2016)
 FOGARTY S (re-appointed 1/7/2016)
 FREEMAN R T* (appointed 1/7/2016)
 HODGSON J (re-appointed 1/7/2016)
 MOSEL T (appointed 1/7/2016)
 MUTTON D (re-appointed 1/7/2016)
 NEWMAN J (re-appointed 1/7/2016)
 O'LOUGHLIN D A (re-appointed 1/7/2016)
 PERERA R (appointed 1/7/2016)
 STOKES W (re-appointed 1/7/2016)
 WEIDENHOFER S G (appointed 1/7/2016)

Department of Planning, Transport and Infrastructure
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Port Adelaide Development Advisory Committee

BLENCOWE S (re-appointed 8/8/2016)
 BRANFORD C (re-appointed 9/7/2016)
 CRAFTER S J (re-appointed 9/7/2016)
 DUNGEY P J (re-appointed 9/7/2016)
 DYER H L (re-appointed 9/7/2016)
 EXCELL R (re-appointed 9/7/2016)
 FOGARTY S M (re-appointed 9/7/2016)
 MUTTON D R (re-appointed 9/7/2016)
 O'LOUGHLIN D A (re-appointed 9/7/2016)

South Australian Boating Facility Advisory Committee

ANDREW B
 BIRCH K
 BOLTON G
 BRUNDELL V
 BUTTON R
 CUMING R
 HOLDER K
 HOLDER S
 PAYZE R
 SCHAHINGER B
 SPRUYT C
 STEER J
 STEPHENS L
 WHEELER A

Kangaroo Island Local Advisory Board on Economic Growth ***

BATES J (appointed 20/9/2016)
 BLAZUJEVIC L* (appointed 20/9/2016)
 BUTTROSE C (appointed 20/9/2016)
 COLLINS J* (appointed 20/9/2016)
 COOKE D (appointed 20/9/2016)
 DEMARCO R* (appointed 20/9/2016)
 GILL M* (appointed 20/9/2016)
 GREGOR P (appointed 20/9/2016)
 HARVIE M (appointed 20/9/2016)
 HOLDEN M (appointed 20/9/2016)
 KAUPPILA S (appointed 20/9/2016)
 KLEEMAN R* (appointed 22/5/2017)
 MARTIN G (appointed 20/9/2016)
 MCSHERRY M (appointed 30/1/2017)
 MILEY D* (appointed 20/9/2016)
 MURT R* (appointed 2/2/2017)
 NOLAN A (appointed 20/9/2016)
 RISCHBIETH G (appointed 20/9/2016)

Kangaroo Island Local Advisory Board on Native Vegetation Management ***

BATES J (appointed 31/10/2016)
 BELL C (appointed 31/10/2016)
 DOHLE L (appointed 31/10/2016)
 GRINTER J (appointed 31/10/2016)
 KLEEMAN R* (appointed 31/10/2016)
 KLEIN H* (appointed 31/10/2016)
 PONTIFEX N (appointed 31/10/2016, resigned 13/2/2017)
 SEAMAN R* (appointed 31/10/2016)
 SLEEMAN D (appointed 31/10/2016)
 TRETHEWEY R (appointed 31/10/2016)
 WICKHAM C (appointed 31/10/2016)

Boxing and Martial Arts Advisory Committee

ALEXANDER A
 ARTYM U F
 BOWMAN L R
 FERRAUTO T
 LEOW M
 RIACH D A
 SOULIO R
 TAYLOR K J
 TOYAMA G

State Planning Commission **

ANDERSON T R (appointed 7/3/2017)
 DAVIS M J (appointed 30/5/2017)
 DELBRIDGE F (appointed 30/5/2017)
 FINLAY J M H (appointed 30/5/2017)
 HOLMES A N (appointed 30/5/2017)
 LENNON M A (appointed 30/5/2017)
 SMITH S J* (appointed 30/5/2017)

Kangaroo Island Local Advisory Board on Housing ***

BAMENT D* (resigned 9/1/2017)
 BOARDMAN A (appointed 7/6/2016)
 BROWN G* (resigned 7/4/2017)
 DAGAS T (appointed 7/6/2016)
 DAVIS B (appointed 7/6/2016)
 HARRIS M (resigned 16/9/2016)
 LEASE C* (appointed 7/6/2016)
 KENT I (resigned 24/1/2017)
 MCSHERRY M (appointed 30/1/2017)
 PALUMBO M (resigned 19/4/2017)
 SMITH M (appointed 19/9/2016)
 TAYLOR C (appointed 7/6/2016)
 WATSON-ENGLAND M (resigned 28/11/2016)

Department of Planning, Transport and Infrastructure
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	2017	2016
The number of members whose remuneration received/receivable falls within the following bands:	Number	Number
\$1 - \$9 999	86	59
\$10 000 - \$19 999	2	1
\$40 000 - \$49 999	6	6
\$60 000 - \$69 999	1	-
\$70 000 - \$79 999	1	1
Total Number of Members	96	67

Remuneration of members reflects all costs of performing committee member duties including sitting fees, superannuation contributions, fringe benefits tax and other salary sacrifice arrangements. The total remuneration received by members was \$0.633 million (\$0.517 million).

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

* In accordance with the Premier and Cabinet Circular No. 16, government employees did not receive any remuneration for board/committee duties during the financial year.

** Effective from 7 March 2017 this Commission was established under the *Planning, Development and Infrastructure Act 2016*.

*** Pursuant to Part 3 of the *Commissioner for Kangaroo Island Act 2014* three advisory boards were established during 2016-17.

Department of Planning, Transport and Infrastructure
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For the year ended 30 June 2017

Note 7: Supplies and Services

	2017 \$'000	2016 \$'000
Supplies and Services		
Bus service contracts	202,236	195,434
Rail Commissioner salary reimbursements	67,625	57,071
Major infrastructure maintenance contracts	61,878	55,243
Other service contracts	113,310	93,307
Consultants	93	207
Operating leases	169,389	165,528
Property expenses	122,632	114,917
Plant, equipment and vehicle expenses	9,695	12,160
Information technology	10,666	8,534
Materials and other purchases	23,070	23,137
Utilities	31,998	32,802
Insurance	4,944	6,299
Legal services	2,184	1,938
Commissions - transaction processing	2,164	2,511
Auditor's remuneration *	919	1,063
Administrative costs	8,218	6,792
Payment to Service SA - registration and licensing collection	34,335	32,934
Other	26,018	23,891
Total Supplies and Services	891,374	833,768

* For work performed under the *Public Finance and Audit Act 1987*. No other services were provided by the Auditor-General's Department.

Consultancies

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

	No.	2017 \$'000	No.	2016 \$'000
Below \$10 000	-	-	1	1
Above \$10 000	2	240	4	206
Total Paid / Payable to the Consultants Engaged	2	240	5	207

During the year ended 30 June 2017, the Department spent \$0.240 million (\$0.207 million) on consultancies. Operating expenditure of \$0.093 million (\$0.207 million) is reflected in the Statement of Comprehensive Income and \$0.147 million (nil) is capital expenditure.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2017

Note 8: Depreciation and Amortisation Expense

	2017 \$'000	2016 \$'000
Depreciation:		
Network assets	275,838	260,454
Plant and equipment	73,863	77,144
Buildings and facilities	71,785	51,749
Total Depreciation	421,486	389,347
Amortisation:		
Leased assets	791	1,614
Intangibles assets	6,617	6,318
Total Amortisation	7,408	7,932
Total Depreciation and Amortisation Expense	428,894	397,279

Change in Depreciation Due to a Revision of Accounting Estimate

In 2016-17 the Department reassessed the useful life of some of its assets. This review resulted in an increase of \$0.284 million in depreciation expense for the 2016-17 year relative to the amount that would have been expenses based on the previous estimate of the useful life. The higher depreciation expense will also be reflected in future years.

Note 9: Grants and Subsidies

	2017 \$'000	2016 \$'000
Grants and Subsidies		
Contribution for policing services	40,435	39,481
Transport Subsidy Scheme	8,959	9,433
Grants to local councils	15,337	11,260
Transport concessions	4,009	4,425
Grants by Office for Recreation and Sport	55,680	37,680
Other	7,101	6,277
Total Grants and Subsidies	131,521	108,556

Note 10: Borrowing Costs

	2017 \$'000	2016 \$'000
Interest paid/payable on Borrowing Costs:		
Finance charges on finance leases	914	939
Total Borrowing Costs	914	939

Department of Planning, Transport and Infrastructure
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Note 11: Other Expenses

	2017	2016
	\$'000	\$'000
Other Expenses		
Rates, taxes and levies	8,494	9,428
Donated assets *	52,420	1,629
Bad and doubtful debts expense	253	2,664
Write-off of an asset	889	1,595
Indentured Ports **	10,024	11,424
Site remediation	106	143
Payment to National Heavy Vehicle Regulator – State Contribution ***	-	13,648
Other	1,544	315
Total Other Expenses	73,730	40,846

* This includes water and sewerage assets constructed and donated to South Australian Water Corporation at cost as part of the North-South Corridor Darlington Upgrade (\$37.472 million) and South Road Upgrade Torrens to Torrens (\$13.158 million).

** This relates to amounts returned to the Consolidated Account in accordance with section 90 of the *Harbours and Navigation Act 1993*.

Charges collected for cargo services and harbour services are allocated to the Department and applied to the maintenance of indentured ports. Any remaining funds are returned to the Consolidated Account in accordance with section 90 of the *Harbours and Navigation Act 1993*. Assets associated with these ports include land and facilities at Port Bonython, Ardrossan and Whyalla.

The amount paid to the consolidated account in the year ended 30 June 2017 totalled \$9.760 million. This represents unused cargo and harbour services charges of \$0.655 million collected in the year ended 30 June 2016 but not paid to DTF as at 30 June 2016 and \$9.105 million of unused charges collected during the year ended 30 June 2017.

A further \$0.919 million remains payable to the consolidated account representing outstanding unused cargo and harbour service charges collected during the year ended 30 June 2017 but not paid to DTF as at 30 June 2017.

*** From 1 July 2016 heavy vehicle registrations include a regulatory component which is collected and disbursed to the National Heavy Vehicle Regulator. This is now an Administered item.

Department of Planning, Transport and Infrastructure
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For the year ended 30 June 2017

Note 12: Fees and Charges

	2017 \$'000	2016 \$'000
Fees and Charges		
Drivers licence fees	54,305	48,721
Metrotickets	91,029	90,456
Motor registrations	419,611	413,497
Marine related fees and charges	22,222	23,190
Land services fees	15,700	15,397
Other fees and charges	22,300	22,889
Total Fees and Charges	625,167	614,150

Revenues from the levying of fees or charges set in accordance with various legislative acts (e.g. vehicle registration and drivers' licence fees) are recognised when the Department obtains control over the funds. Control is generally obtained upon receipt of those funds.

Road Safety

In accordance with the *Highways Act 1926*, \$9.051 million (\$8.120 million) being one-sixth of driver's licence collections and \$0.876 million (\$0.946 million) being 1/100th of Heavy Vehicle Registrations, was applied towards funding transport safety related initiatives under the Road Safety activity.

Note 13: Commonwealth Revenues

	2017 \$'000	2016 \$'000
Commonwealth Revenues		
Commonwealth grants received via DTF *	549,246	234,429
National Land Transport Act 2014 **	7,084	8,854
Other Commonwealth revenues ***	695	464
Total Commonwealth Revenues	557,025	243,747

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.

Generally, the Department has obtained control or the right to receive:

- Contributions with unconditional stipulations – this will be when the agreement becomes enforceable i.e. earlier of when the Department has formally been advised that the contribution has been approved; agreement/contract is executed; and/or the contribution is received.
- Contributions with conditional stipulations – this will be when the enforceable stipulations specified in the agreement occur or are satisfied; that is income would be recognised for contributions received or receivable under the agreement.

* Commonwealth grants received from the DTF represent mainly *Nation Building Program (National Land Transport) Act 2014* and *Interstate Road Transport Act 1985* funding.

** *Nation Building Program (National Land Transport) Act 2014* represents Roads to Recovery funding.

*** Other Commonwealth revenue includes the Australian Sports Commission and Indigenous Sports Programs.

Department of Planning, Transport and Infrastructure
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Note 14: Sales of Goods and Services

	2017 \$'000	2016 \$'000
Sale of Goods and Services		
Maintenance services	113,390	104,409
Other sale of goods	586	204
Other sale of services	37,415	37,878
Total Sale of Goods and Services	151,391	142,491

Revenues are derived from the provision of goods and services to other SA Government agencies and to the public. These revenues are driven by consumer demand and are recognised upon the delivery of those goods and services to the customers or by reference to the stage of completion, where possible.

Note 15: Rental Income

	2017 \$'000	2016 \$'000
Rental Income		
Government accommodation	204,895	205,602
Property rents and recoveries	3,528	3,503
Other lease income	5,587	5,817
Total Rental Income	214,010	214,922

Rental income consists of office accommodation, government employee housing and other property rentals. Commercial property rental is payable in advance, other rentals are payable in arrears.

Note 16: Grants and Subsidies

	2017 \$'000	2016 \$'000
Grants and Subsidies		
Concessional passenger income	57,051	57,283
Grants received by Office for Recreation and Sport	469	451
Other	120	250
Total Grants and Subsidies	57,640	57,984

Concessional Passenger Income

This represents fare concession receipts to fund concessional travel provided to pensioners, the unemployed and students on passenger transport in metropolitan and regional areas.

Note 17: Interest

	2017 \$'000	2016 \$'000
Interest		
Interest	1,758	2,134
Total Interest	1,758	2,134

The interest relates predominantly to the Rail Transport Facilitation, Community Road Safety, Boating Administration Working Account, Facilities (Marine) and Commonwealth Funding Received for Specific Projects.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
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Note 18: Net Gain (Loss) from Disposal of Non-Current Assets

	2017 \$'000	2016 \$'000
Net gain (loss) from the disposal of non-current assets received/receivable:		
Land, Buildings and Facilities:		
Proceeds from disposal	1,947	19,472
Net book value of assets disposed	(835)	(17,212)
Costs incurred to facilitate disposal	(56)	-
Net gain (loss) from disposal of land, buildings and facilities	1,056	2,260
Plant and Equipment:		
Proceeds from disposal	248	900
Net book value of assets disposed	(478)	(1,020)
Net gain (loss) from disposal of plant and equipment	(230)	(120)
Non-Current Assets Held for Sale:		
Proceeds from disposal	4,639	3,735
Net book value of assets disposed	(5,690)	(4,064)
Costs incurred to facilitate disposal	(61)	(120)
Net gain (loss) from disposal of non-current assets held for sale	(1,112)	(449)
Total Assets:		
Proceeds from disposal	6,834	24,107
Net book value of assets disposed	(7,003)	(22,296)
Costs incurred to facilitate disposal	(117)	(120)
Total net gain (loss) from disposal of non-current assets	(286)	1,691

Gains/Losses from the disposal of non-current assets are recognised on a net basis when control of the asset has passed to the buyer. When revalued assets are sold, with the exception of commercial properties, the revaluation surplus is transferred to retained earnings.

Note 19: Resources Received Free of Charge

	2017 \$'000	2016 \$'000
Resources received/receivable free of charge:		
Land, buildings and facilities	15,428	1,587
Network Assets	6,677	1,721
Plant and equipment	-	110
Total Resources Received Free of Charge	22,105	3,418

Resources received free of charge were recognised at their fair value.

On 1 January the Department received free of charge land and buildings (\$15.232 million) and network assets (\$6.177 million) of the township of Leigh Creek from the Generation Lessor Corporation. The township of Leigh Creek is significantly reliant upon continued State Government support to transition to an independent future. Due to the remote location of these assets there is no comparable market. Therefore these assets are valued at depreciated replacement cost.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
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Note 20: Other Income

	2017	2016
	\$'000	\$'000
Other Income		
Recoveries and contributions	23,718	24,147
Reimbursement works and external project contributions	24,494	12,991
Intra government transfers	22,896	17,492
Commissions Received	25	35
Sundry income	-	316
Total Other Income	71,133	54,981

Note 21: Revenues from (Payments to) SA Government

	2017	2016
	\$'000	\$'000
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	639,570	384,609
Transfers from contingency provisions	16,503	41,525
Transfers from Motor Accident Commission *	688,200	448,500
Transfers from Treasury - Working Account **	259,400	-
Other revenues from SA Government	709	556
Total Revenues from SA Government	1,604,382	875,190
Payments to SA Government:		
Local government and income tax equivalent payments (Refer Note 3.7)	3,114	3,609
Return of surplus cash pursuant to cash alignment policy	55,581	-
Other payments to Consolidated Account	2,720	1,991
Total Payments to SA Government	61,415	5,600

* Includes funds received from the Motor Accident Commission to the Highways Fund for future investment in road safety improvements \$688.2 million (\$448.5 million).

** Includes funds received to the Highways Fund as a result of the Implementation Deeds between the State and the individual insurers for the Initial Market allocation fee for the Compulsory Third Party Insurance market in South Australia \$259.4 million.

Appropriations 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.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2017

Note 22: Cash and Cash Equivalents

	2017 \$'000	2016 \$'000
Deposits at call with the Treasurer	3,253,029	2,123,276
Imprest Account	98	108
Deposits with SAFA	10,465	2,245
Other	67	78
Total Cash and Cash Equivalents	3,263,659	2,125,707

Deposits at call with the Treasurer

Includes:

- funds received from the Motor Accident Commission to the Highways Fund for future investment in road safety improvements \$688.2 million (\$448.5 million)
- funds received to the Highways Fund as a result of the Implementation Deeds between the State and the individual insurers for the Initial Market allocation fee for the Compulsory Third Party Insurance market in South Australia \$259.4 million.

Other

Includes petty cash floats, cashiers' floats and other cash on hand.

Department of Planning, Transport and Infrastructure
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Note 23: Receivables

	2017 \$'000	2016 \$'000
Current:		
Receivables	105,620	74,147
Allowance for doubtful debts	(3,735)	(3,901)
Finance lease receivables	776	763
Loan receivables	2,502	2,388
GST input tax recoverable	15,058	10,241
Accrued revenues	80,316	55,041
Lease incentives	5,987	29,737
Total Current Receivables	206,524	168,416
Non-Current:		
Receivables	5	37
Finance lease receivables	4,936	5,559
Loan receivables	2,040	2,040
Total Non-Current Receivables	6,981	7,636
Total Receivables	213,505	176,052

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for an impairment loss has been recognised in 'Other Expenses' for specific debtors where such evidence exists.

Movements in the allowance for doubtful debts (impairment loss):	2017 \$'000	2016 \$'000
Carrying amount at 1 July	3,901	1,334
Increase in the allowance	173	2,702
Amounts written off	(258)	(51)
Amounts recovered during the year	(25)	(15)
Decrease in allowance recognised in profit or loss	(56)	(69)
Carrying amount at 30 June	3,735	3,901

Interest Rate and Credit Risk

Receivables arise in the normal course of the provision of goods and services provided to other government agencies and the public. Receivables are normally settled within 30 days after the issue of an invoice or from when goods or services have been provided under a contractual agreement. Receivables and accrued revenues are non-interest bearing.

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

Refer to Note 39 for further information on risk management.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
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Note 24: Inventories

	2017 \$'000	2016 \$'000
Current - held for distribution at no or nominal consideration		
Road making material and stores at cost	3,776	4,578
Rail material and stores at cost	6,747	5,901
Total inventories held for distribution at no or nominal consideration	10,523	10,479
Current - other than those held for distribution at no or nominal consideration:		
Metrocards at cost	355	470
Total inventories other than those held for distribution at no or nominal consideration	355	470
Total Current Inventories	10,878	10,949

Inventories include goods and other property held either for sale, use or for distribution in the ordinary course of business and excludes depreciable assets.

Inventories held for distribution at no or nominal consideration are measured at cost and adjusted when applicable for any loss of service potential. The basis for assessing loss of service potential includes current replacement cost and technological or functional obsolescence.

Inventories (other than those held for distribution at no or nominal consideration) are measured at the lower of cost or their net realisable value. Inventories of roadside materials are measured at historic cost and stores are measured on a weighted average historic cost basis. Inventories held for works performed for clients external to the department are measured at cost.

Note 25: Other Assets

	2017 \$'000	2016 \$'000
Current:		
Prepayments	50,585	38,390
Other	-	155
Lease Incentives	6,432	7,007
Total Current Other Assets	57,017	45,552
Non-Current Assets:		
Lease Incentives	39,560	44,192
Prepayments	42	52
Total Non-Current Other Assets	39,602	44,244
Total Other Assets	96,619	89,796

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
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Note 26: Non-Current Assets Classified as Held for Sale

	2017	2016
	\$'000	\$'000
Non-Current Assets Classified as Held for Sale:		
Land, buildings and facilities	13,281	140,157
Total Non-Current Assets Classified as Held for Sale	13,281	140,157

The Department has identified \$13.281 million (\$140.157 million) of land, buildings and facilities that are surplus to the Department's requirements. The land, buildings and facilities are expected to be sold within 12 months by public tender or auction.

During the year the State Administration Centre precinct assets were reclassified to Land, Building and Facilities (Note 27) as they no longer met the conditions for assets classified as *Non-Current Asset Held for Sale*. The Department of Treasury and Finance continues to work with consultants to assess sale options. Reclassification of these assets has no impact on the Department's operations.

Valuation of Non-Current Assets Classified as Held for Sale

Non-current assets classified as held for sale generally consist of land and buildings that have been declared surplus to the needs of the Department for which a plan of sale has been determined, the sale is highly probable and is expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell in accordance with AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations*. The assets in this category are re-valued upon reclassification in line with the valuation techniques outlined in notes 27 to 29. They are presented separately from the other assets in the Statement of Financial Position and are not subject to depreciation.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
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Note 27: Land, Buildings and Facilities

	2017 \$'000	2016 \$'000
Land:		
Land at fair value	964,410	941,120
Total Land	964,410	941,120
Land Under Roads:		
Land under roads at cost	42,160	20,547
Total Land Under Roads	42,160	20,547
Land for Current Projects:		
Land for current projects at cost *	181,863	178,165
Total Land for Current Projects	181,863	178,165
Buildings and Facilities:		
Buildings and facilities at fair value	2,160,540	1,966,199
Accumulated depreciation at 30 June	674,970	543,742
Total Buildings and Facilities	1,485,570	1,422,457
Land, Buildings and Improvements Under Lease:		
Buildings and improvements under lease at fair value	33,022	32,242
Land under lease at fair value	4,250	4,250
Accumulated amortisation at 30 June	1,560	769
Total Land, Buildings and Improvements Under Lease	35,712	35,723
Total Land, Buildings and Facilities	2,709,715	2,598,012

* This includes land transferred from other land categories deemed at cost. Land for Current Projects is not revalued.

Department of Planning, Transport and Infrastructure
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RECONCILIATION OF LAND, BUILDINGS AND FACILITIES

The following table shows the movement of Land, Buildings and Facilities during 2016-17

	Land	Land Under Roads	Land for Current Projects	Buildings & Facilities	Buildings & Improvements Under Lease	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	941,120	20,547	178,165	1,422,457	35,723	2,598,012
Reclassification (to)/from assets held for sale	24,428	-	(1,300)	98,058	-	121,186
Additions	529	-	28,669	9,330	-	38,528
Transfer from works in progress	-	-	-	7,493	780	8,273
Disposals	(584)	-	-	(251)	-	(835)
Resources received free of charge	1,152	-	-	14,276	-	15,428
Write offs	-	-	-	(147)	-	(147)
Revaluation increment/(decrement)	(4,294)	-	-	7,067	-	2,773
Depreciation and amortisation	-	-	-	(71,785)	(791)	(72,576)
Transfers due to reclassification of assets	2,058	21,613	(23,671)	(768)	-	(768)
Other movements	1	-	-	(160)	-	(159)
Carrying amount at 30 June	964,410	42,160	181,863	1,485,570	35,712	2,709,715

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RECONCILIATION OF LAND, BUILDINGS AND FACILITIES

The following table shows the movement of Land, Buildings and Facilities during 2015-16

	Land	Land Under Roads	Land for Current Projects	Buildings & Facilities	Buildings & Improvements Under Lease	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	1,213,321	20,576	120,157	1,526,549	36,944	2,917,547
Reclassification to/from assets held for sale	595	-	-	(2,518)	-	(1,923)
Additions	357	-	58,105	33,541	-	92,003
Transfer from works in progress	-	-	-	8,644	392	9,036
Disposals	(17,171)	-	-	(41)	-	(17,212)
Donated assets	(3)	-	-	-	-	(3)
Resources received free of charge	855	-	-	732	-	1,587
Revaluation increment/(decrement)	(256,958)	-	-	(49,709)	-	(306,667)
Depreciation and amortisation	-	-	-	(51,749)	(1,614)	(53,363)
Transfers due to reclassification of assets	125	(29)	(96)	(42,899)	-	(42,899)
Other movements	(1)	-	(1)	(93)	1	(94)
Carrying amount at 30 June	941,120	20,547	178,165	1,422,457	35,723	2,598,012

Department of Planning, Transport and Infrastructure
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Valuation of Land, Buildings and Facilities

For non specialised land, buildings and facilities the valuers arrived at fair value using the market approach. The valuation was based on recent market transactions for similar land, buildings and facilities in the area and includes adjustment for factors specific to the land, buildings and facilities being valued, such as size and location.

Specialised land in the rail corridor was revalued in 2015-16. The land comprises of individual parcels along the rail corridor. The value of the land was discounted to account for the restriction in its use as a rail corridor.

For specialised buildings and facilities the valuers used depreciated replacement cost due to there not being an active market for such buildings and facilities. The valuation was based on a combination of internal records, specialised knowledge and acquisition/transfer costs. The metro rail station asset revaluation source data was from recent rail revitalisation projects done by the Department.

Timing of Land, Buildings and Facilities Revaluations

The following table shows when and by whom land, buildings and facilities were revalued:

Asset Class	Assets Valued	Last Valued / Revalued	By Whom	Timing of Revaluations (years)	Input level	Fair Value Approach
Land						
Land	Government Employee Housing	1 July 2016	Valuer-General	1	2	Market
	Government Agency Accommodation	30 June 2015	Opteon Property Group / Valuer-General	3	2	Market
	Ex Australian National Railways Land	1 July 2015	Valuer-General	3	2	Market
	Metro Rail Stations, Yards and Corridors	1 July 2015	Valuer-General	3 - 5	2	Market
	Marine Land	1 July 2014	Valuer-General	3	2	Market
	Bus Depot Land	1 July 2014	Maloney Field Services	3	2	Market
	Future Road Construction	1 July 2014	Valuer-General	3	2	Market

Department of Planning, Transport and Infrastructure
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Asset Class	Assets Valued	Last Valued / Revalued	By Whom	Timing of Revaluations (years)	Input level	Fair Value Approach
	Recreation and Sport Land	1 July 2015	Opteon Property Group/ M3property Strategist/ Australian Valuation Solution/ Valuer- General	3	2	Market
Land Under Roads	Other Departmental Land (Bus Interchanges)	1 July 2014	Valuer-General	3	2	Market
	Land Under Roads	NA	Not applicable	NA	NA	NA
Land for Current Projects	Land for Current Projects	Not required under policy	Not applicable	NA	NA	NA
Buildings and Facilities						
Buildings and Facilities	Marine Related	1 July 2016	Valuer-General/ Maloney Field Services	3	3	Cost
	Metro Rail Stations and Yards	1 July 2015	Valuer-General/ Janey Mitson B.Eng(Civil)	3 - 5	3	Cost
	Ex Australian National Railways	1 July 2016	Valuer-General/ Maloney Field Services	3	3	Cost
	Bus Depots	1 July 2014	Maloney Field Services	3	3	Cost
	Tram Depot	1 July 2015	Valuer-General/ Janey Mitson B.Eng(Civil)	3 - 5	3	Cost
	Recreation and Sport Infrastructure	1 July 2015	Opteon Property Group/ M3property Strategist/ Australian Valuation Solution/ Valuer- General	3	3	Cost
	Other	1 July 2016	Valuer-General	3	3	Cost
	Residential Buildings					
	Government Employee Housing	1 July 2016	Valuer-General	1	2	Market

Department of Planning, Transport and Infrastructure
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Asset Class	Assets Valued	Last Valued / Revalued	By Whom	Timing of Revaluations (years)	Input level	Fair Value Approach
	Future Road Construction	1 July 2016	Valuer-General	3	2	Market
	Commercial Buildings *					
	Government Agency Accommodation	1 June 2015	Opteon Property Group / Valuer-General	3	2	Market
	Future Road Construction	1 July 2016	Valuer-General	3	2	Market
	Depots	1 July 2015	Valuer-General	3	2	Market
Land, Buildings and Improvements Under Lease	Land, Buildings and Improvements Under Lease	30 June 2015	Opteon Property Group / Valuer General	3	2	Market

* Leigh Creek non residential buildings are valued using cost approach (DRC).

Department of Planning, Transport and Infrastructure
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Note 28: Plant and Equipment

	2017	2016
	\$'000	\$'000
Plant and Equipment:		
Plant and equipment (at fair value)	1,655,647	1,658,098
Information technology (IT)	13,871	13,798
IT under lease	-	1,822
	1,669,518	1,673,718
Accumulated Depreciation:		
Accumulated depreciation - Plant and equipment	986,868	934,906
Accumulated depreciation - Information technology (IT)	12,644	12,534
Accumulated depreciation - IT under lease	-	1,714
	999,512	949,154
Total Plant and Equipment	670,006	724,564

RECONCILIATION OF PLANT AND EQUIPMENT

The following table shows the movement of Plant and Equipment during 2016-17

	Plant and Equipment \$'000	Information Technology \$'000	IT Under Lease \$'000	Total \$'000
Carrying amount at 1 July	723,192	1,264	108	724,564
Additions	12,076	607	-	12,683
Transfers from works in progress	12,840	77	-	12,917
Disposals	(478)	-	-	(478)
Donated assets	(1,782)	(8)	-	(1,790)
Write offs	(554)	-	(108)	(662)
Revaluation increment/(decrement)	(4,592)	-	-	(4,592)
Depreciation and amortisation	(73,150)	(713)	-	(73,863)
Transfers due to reclassification of assets	1,230	-	-	1,230
Other movements	(3)	-	-	(3)
Carrying amount at 30 June	668,779	1,227	-	670,006

The following table shows the movement of Plant and Equipment during 2015-16

	Plant and Equipment \$'000	Information Technology \$'000	IT Under Lease \$'000	Total \$'000
Carrying amount at 1 July	734,867	6,178	(483)	740,562
Additions	5,497	173	590	6,260
Transfers from works in progress	48,937	207	-	49,144
Disposals	(1,020)	-	-	(1,020)
Donated assets	-	(4)	-	(4)
Resources received free of charge	25	24	-	49
Write offs	(458)	(8)	-	(466)
Revaluation increment/(decrement)	8,191	-	-	8,191
Depreciation and amortisation	(75,745)	(1,399)	-	(77,144)
Transfers due to reclassification of assets	2,898	(3,907)	-	(1,009)
Other movements	-	-	1	1
Carrying amount at 30 June	723,192	1,264	108	724,564

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Valuation of Plant and Equipment

For non specialised plant and equipment the valuers arrived at fair value using the market approach. The valuation was based on recent market transactions for similar plant and equipment and includes adjustment for factors specific to the plant and equipment being valued, such as size and location.

For specialised plant and equipment, the valuers used depreciated replacement cost due to there not being an active market for such plant and equipment. The valuation was based on a combination of internal records, specialised knowledge and acquisition/transfer costs.

Timing of Plant and Equipment Revaluations

The following table shows when and by whom plant and equipment was revalued:

Asset Class	Assets Valued	Last Valued / Revalued	By Whom	Timing of Revaluations (years)	Input level	Fair Value Approach
Plant and Equipment	Buses	1 July 2015	Australian Valuation Solutions	3	2 & 3	Market
	Tram and Train Rolling Stock	1 July 2014	Australian Valuation Solutions	3	3	Cost
	Bus Depots	1 July 2014	Australian Valuation Solutions	3	3	Cost
	Rail	1 July 2014	Australian Valuation Solutions	3	3	Cost
	Tall Ships/Patrol Boats *	1 July 2014	Markwell Risk Mgt Services / Peter McDonalds	3	3	Cost
	Ferries (including Modules)	1 July 2016	Pickles Auctions	3	2	Market
	Aids to Navigation	1 July 2016	Valuer-General/ Spiros Dimas	3	3	Cost
	Heavy Plant	1 July 2016	Pickles Auctions	3	2	Market
	Bus Shelters	1 July 2014	Aon Risk Solutions	3	3	Cost

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Asset Class	Assets Valued	Last Valued / Revalued	By Whom	Timing of Revaluations (years)	Input level	Fair Value Approach
Information Technology (IT)	Metro-ticket System	1 July 2015	Aon Risk Solution	3	3	Cost
	Other Plant & Equipment	Not required under Policy	Not applicable	NA	NA	NA
	Information Technology	NA	Not applicable	NA	NA	NA

* Patrol Boats valuation was done by a suitable, qualified and experienced officer of the Department

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Note 29: Network Assets

	2017 \$'000	2016 \$'000
Network Assets:		
Network assets (deemed fair value)	25,232,010	24,859,470
Rail and bus track (deemed fair value)	2,785,966	2,733,387
	28,017,976	27,592,857
Accumulated Depreciation:		
Accumulated depreciation - Network	6,910,024	6,584,610
Accumulated depreciation - Rail and bus track	882,662	779,449
	7,792,686	7,364,059
Total Network Assets	20,225,290	20,228,798

RECONCILIATION OF NETWORK ASSETS

The following table shows the movement of Network Assets during 2016-17

	Roads \$'000	Structures \$'000	Rail and Bus Track \$'000	Total \$'000
Carrying amount at 1 July	16,007,406	2,267,454	1,953,938	20,228,798
Transfers from works in progress	119,673	50,630	43,872	214,175
Donated assets	-	(50,630)	-	(50,630)
Resources Received Free of Charge	6,177	500	-	6,677
Revaluation increment/(decrement)	103,403	36,898	(37,729)	102,572
Other	(1)	1	(1)	(1)
Depreciation and amortisation	(174,476)	(43,520)	(57,842)	(275,838)
Transfers due to reclassification of assets	-	(1,529)	1,066	(463)
Carrying amount at 30 June	16,062,182	2,259,804	1,903,304	20,225,290

The following table shows the movement of Network Assets during 2015-16

	Roads \$'000	Structures \$'000	Rail and Bus Track \$'000	Total \$'000
Carrying amount at 1 July	15,770,152	2,211,231	2,012,250	19,993,633
Transfers from works in progress	106,396	1,007	1,812	109,215
Donated assets	(1,622)	-	-	(1,622)
Resources Received Free of Charge	-	1,721	61	1,782
Revaluation increment/(decrement)	273,372	127,714	(58,754)	342,332
Other	-	2	2	4
Depreciation and amortisation	(172,274)	(43,143)	(45,037)	(260,454)
Transfers due to reclassification of assets	31,382	(31,078)	43,604	43,908
Carrying amount at 30 June	16,007,406	2,267,454	1,953,938	20,228,798

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Valuation of Road Network Assets

With the exception of earthworks and the pavement sub-base which are not subject to depreciation, all road network assets are valued at written down replacement cost by senior professional engineers with the knowledge and expertise in that particular area and independent recognised industry experts are engaged to provide input with respect to key areas of the revaluation. As these assets have no active market they are measured at written down replacement cost which is considered to be their fair value.

Road network assets are revalued every three years with indexing applied during intervening years to roads and structures. Indexing is applied using the Australian Bureau of Statistics' Road and Bridge Construction Price Index for South Australia as at 1 July.

Approval has been granted by the Treasurer for a variation to the requirements of Accounting Policy Framework III clause 3.17, which requires an independent valuation appraisal be performed at least every 6 years. The variation enables the Department to value its road network assets using an internally developed revaluation methodology, with inputs for the key areas being provided by independent industry experts.

In the model used for valuation, the road network is segmented into sections that have similar engineering and functional characteristics. Each segment is then characterised by a representative stereotype. Replacement unit rates, useful lives and non-depreciating sub-base percentages are calculated for each of these stereotypes and then applied to the surfacing/pavement area of the segments.

Road network assets were revalued in 2015-16 with some improvements around representative stereotypes to include a new category entitled 'Motorways'. This improvement is to allow for more accurate grouping of road to reflect purpose, service capacity and consumption pattern. The pavement sub-base segment was also valued and recognised as a separate component from the pavement base in 2015-16.

Valuation of Rail and Bus Network Assets

For specialised rail and bus network assets, the valuers used depreciated replacement cost due to there not being an active market for such rail and bus network assets. The valuation was based on a combination of internal records, specialised knowledge and acquisition/transfer costs.

Timing of Network Asset Revaluations

The following table shows when and by whom network assets were revalued:

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Asset Class	Assets Valued	Last Valued / Revalued	By Whom	Timing of Revaluations (years)	Input Level	Fair Value Approach
Network Assets						
Roads	Road Pavements base, Sub-base, and Surface	1 July 2015	Mick Lorenz, B.Eng (Civil)*	3	3	Cost
	Earthworks	1 July 2015	Mick Lorenz, B.Eng (Civil)*	3	3	Cost
Structures	Bridges / Culverts	1 July 2015	Grant Wilksch, B.Eng (Civil)	3	3	Cost
	Ferry Landings	1 July 2015	Grant Wilksch, B.Eng (Civil)	3	3	Cost
	Drainage	1 July 2014	Xylem Water Solution	3	3	Cost
	Weighbridges and Weigh Slabs	1 July 2014	Aquentia Consulting	3	3	Cost
Rail and Bus Track	Busway Interchanges	1 July 2016	Valuer-General	3	3	Cost
	Busway Track and Structures	1 July 2015	Grant Wilksch, B.Eng (Civil)	3	3	Cost
	Metro Rail Structure (includes bridges)	1 July 2015	Valuer-General/ Grant Wilksch, B.Eng (Civil)	3 - 5	3	Cost
	Metro Rail, Tram Lines Track and Other	1 July 2016	Valuer-General/ Darren Schultz B.Eng	3 - 5	3	Cost

* Valuation performed by suitably qualified officers of the Department

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Note 30: Capital Works in Progress

	2017	2016
	\$'000	\$'000
Capital Works in Progress		
Land, buildings and facilities	373,147	198,417
Road network	758,104	409,853
Plant, equipment and intangibles	45,517	21,086
Rail and bus track	223,857	84,511
Total Capital Works in Progress	1,400,625	713,867

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RECONCILIATION OF CAPITAL WORKS IN PROGRESS

The following table shows the movement of Capital Works in Progress during 2016-17

	Road Network	Plant and Equipment/Intangibles	Land, Buildings & Facilities	Rail and Bus Track	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July					
Additions	409,853	21,086	198,417	84,511	713,867
Transfer to capital	520,162	42,944	183,265	183,219	929,590
Transfer to operating	(170,303)	(17,639)	(8,273)	(43,872)	(240,087)
Other	(1,610)	(876)	(261)	-	(2,747)
	2	2	(1)	(1)	2
Carrying amount at 30 June	758,104	45,517	373,147	223,857	1,400,625

Valuation of Works in Progress

Capital Works in Progress is not revalued and is recorded at historic cost in accordance with AASB 116 Property, Plant and Equipment.

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RECONCILIATION OF CAPITAL WORKS IN PROGRESS

The following table shows the movement of Capital Works in Progress during 2015-16

	Road Network	Plant and Equipment/Intangibles	Land, Buildings & Facilities	Rail and Bus Track	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	229,944	33,285	39,490	35,288	338,007
Additions	290,986	39,597	172,744	51,035	554,362
Transfer to capital	(107,403)	(51,654)	(9,036)	(1,812)	(169,905)
Transfer to operating	(3,673)	(141)	(4,783)	-	(8,597)
Other	(1)	(1)	2	-	-
Carrying amount at 30 June	409,853	21,086	198,417	84,511	713,867

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Note 31: Intangible Assets

	2017	2016
	\$'000	\$'000
Software:		
Computer software	89,330	86,502
Accumulated amortisation	57,502	52,905
Total Intangible Assets	31,828	33,597

RECONCILIATION OF INTANGIBLE ASSETS

The following table shows the movement of Intangible Assets during 2016-17

	2017
	\$'000
Carrying amount at 1 July	33,597
Additions	140
Transfers from works in progress	4,722
Write-off of non-current assets	(16)
Amortisation	(6,617)
Other movements	2
Carrying amount at 30 June	31,828

The following table shows the movement of Intangible Assets during 2015-16

	2016
	\$'000
Carrying amount at 1 July	37,468
Additions	29
Transfers from works in progress	2,510
Other	(1)
Write-off of non-current assets	(91)
Amortisation	(6,318)
Carrying amount at 30 June	33,597

Valuation of Intangible Assets

Intangible assets are not revalued and are recorded at historic cost.

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Note 32: Fair Value Measurement

Fair Value Hierarchy

In accordance with AASB 13 *Fair Value Measurement* the fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Department categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

The Department had no recurring or non-recurring fair value measurements categorised into Level 1.

Fair Value Measurements

	2017 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring Fair Value Measurements			
Land (note 27)	964,410	964,410	-
Buildings and facilities (note 27)	1,485,570	300,383	1,185,187
Land, buildings and improvements under lease (note 27)	35,712	35,712	-
Plant and equipment (note 28)	668,779	35,058	633,721
Network assets (note 29)	18,321,986		18,321,986
Rail and bus track (note 29)	1,903,304		1,903,304
Total Recurring Fair Value Measurements	23,379,761	1,335,563	22,044,198
Non- Recurring Fair Value Measurements			
Land, buildings and facilities held for sale (note 26)	13,281	13,281	-
Total Non-Recurring Fair Value Measurements	13,281	13,281	-
Total	23,393,042	1,348,844	22,044,198
	2016 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring Fair Value Measurements			
Land (note 27)	941,120	941,120	-
Buildings and facilities (note 27)	1,422,457	208,422	1,214,035
Land, buildings and improvements under lease (note 27)	35,723	35,723	-
Plant and equipment (note 28)	723,192	36,918	686,274
Network assets (note 29)	18,274,860	-	18,274,860
Rail and bus track (note 29)	1,953,938	-	1,953,938
Total Recurring Fair Value Measurements	23,351,290	1,222,183	22,129,107
Non- Recurring Fair Value Measurements			
Land, buildings and facilities held for sale (note 26)	140,157	140,157	-
Total Non-Recurring Fair Value Measurements	140,157	140,157	-
Total	23,491,447	1,362,340	22,129,107

Valuation Techniques and Inputs

Valuation techniques used to derive Level 2 and 3 fair values are detailed in Notes 26 - 31. There were no changes in valuation techniques during 2017.

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Reconciliation of Level 3 Fair Value Measurements as at 30 June 2017

	Buildings and Facilities ⁽¹⁾	Plant and Equipment ⁽¹⁾	Network Assets	Rail and Bus Track	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying Amount at 1 July	1,214,035	686,274	18,274,860	1,953,938	22,129,107
Additions	2,952	12,007	-	-	14,959
Transfer from works in progress	7,160	5,554	170,303	43,872	226,889
Disposals ⁽²⁾	(50)	(9)	-	-	(59)
Donated assets	-	-	(50,630)	-	(50,630)
Resources received free of charge	85	-	6,677	-	6,762
Write offs	(147)	(557)	-	-	(704)
Revaluation increment (decrement) ⁽³⁾	7,914	(1,966)	140,301	(37,729)	108,520
Depreciation and amortisation	(48,365)	(68,538)	(217,996)	(57,842)	(392,741)
Transfers due to reclassification of assets at same Fair Value level	(768)	1,230	(1,529)	1,066	(1)
Transfer into Level 3	5,327	-	-	-	5,327
Transfer out of Level 3	(2,956)	(276)	-	-	(3,232)
Other Movements	-	2	-	(1)	1
Carrying amount as at 30 June	1,185,187	633,721	18,321,986	1,903,304	22,044,198

(1) Plant and Equipment & Buildings and Facilities have a combination of Fair Value Level 2 and 3

(2) Net book value of assets disposed. Total gain/loss for period included in profit or loss disclosed separately.

(3) Revaluation increment (decrement) relates only to unrealised gains or losses recognised through Other Comprehensive Income under changes to the revaluation surplus. No unrealised gains or losses were included in profit or loss

Total gains/losses for the period included in profit or loss
under Net Gain (Loss) from Disposal of Non-Current Assets

(61)

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Reconciliation of Level 3 Fair Value Measurements as at 30 June 2016

	Buildings and Facilities ⁽¹⁾	Plant and Equipment ⁽¹⁾	Network Assets	Rail and Bus Track	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying Amount at 1 July	1,316,842	697,348	17,981,386	2,012,250	22,007,826
Additions	30,856	4,103	-	-	34,959
Transfer from works in progress	5,911	45,173	107,403	1,812	160,299
Disposals ⁽²⁾	(41)	(251)	-	-	(292)
Donated assets	-	-	(1,622)	-	(1,622)
Resources received free of charge	732	25	1,721	61	2,539
Write offs	-	(458)	(1)	-	(459)
Revaluation increment (decrement) ⁽³⁾	(52,210)	8,190	401,087	(58,754)	298,313
Depreciation and amortisation	(45,157)	(70,923)	(215,418)	(45,037)	(376,535)
Transfers due to reclassification of assets at same Fair Value level	(42,899)	3,201	-	43,604	3,906
Transfer into Level 3	-	-	304	-	304
Transfer out of Level 3	-	(136)	-	-	(136)
Other Movements	1	2	-	2	5
Carrying amount as at 30 June	1,214,035	686,274	18,274,860	1,953,938	22,129,107

(1) Plant and Equipment & Buildings and Facilities have a combination of Fair Value Level 2 and 3

(2) Net book value of assets disposed. Total gain/loss for period included in profit or loss disclosed separately.

(3) Revaluation increment (decrement) relates only to unrealised gains or losses recognised through Other Comprehensive Income under changes to the revaluation surplus. No unrealised gains or losses were included in profit or loss.

Total gains/losses for the period included in profit or loss
under Net Gain (Loss) from Disposal of Non-Current Assets

(41) (251) - (292)

Transfers In and Out of Level 3

The Department's policy is to recognise transfers in and out of fair value hierarchy levels as at the beginning to the reporting period. Asset transfers in and out of Level 3 are transactional transfers due to changes in the classification of assets.

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Note 33: Payables

	2017 \$'000	2016 \$'000
Current:		
Creditors	1,946	17,396
Accrued expenses	239,872	166,261
Rail Commissioner (Federally Awarded Employees)	13,111	11,002
Employment on-costs	4,757	4,477
Lease incentives	6,295	30,964
Other	15	67
Total Current Payables	265,996	230,167
Non-Current:		
Rail Commissioner (Federally Awarded Employees)	19,150	18,909
Employment on-costs	6,082	6,220
Total Non-Current Payables	25,232	25,129
Total Payables	291,228	255,296

Employment on-costs include payroll tax and superannuation contributions with respect to outstanding liabilities for salaries and wages and associated 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 payable outstanding at reporting date relates to any contributions due but not yet paid.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave remains unchanged from the 2016 rate 40% and the average factor for the calculation of employer superannuation cost on-cost has changed from the 2016 rate of 10.2% to 10.1%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of \$0.106 million. The estimated impact on 2018 and 2019 is not expected to be materially different to the impact in 2017.

Interest Rate and Credit Risk

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owing but unpaid. Creditors are normally settled within 30 days from the date the invoice is first 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 represents fair value due to the amounts being payable on demand.

For further information on risk management refer to Note 39.

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Note 34: Borrowings

	2017 \$'000	2016 \$'000
Current:		
Borrowings (1)		
Balance as at 1 July	563	521
Transfers	240	563
Repayments	(563)	(521)
Balance as at 30 June	240	563
Obligations under finance leases (2)		
Balance as at 1 July	1,710	1,732
Net decrease in lease liabilities due to:		
New leases	734	207
Transfers	538	633
Repayments	(958)	(860)
Other	1	(2)
Balance as at 30 June	2,025	1,710
Total Current Borrowings	2,265	2,273
Non-Current		
Borrowings (1)		
Balance as at 1 July	240	803
Transfers	(240)	(563)
Balance as at 30 June	-	240
Obligations under finance leases (2)		
Balance as at 1 July	12,533	13,718
Net decrease in lease liabilities due to:		
New leases	1,204	382
Transfers	(538)	(633)
Repayments	(986)	(934)
Balance as at 30 June	12,213	12,533
Total Non-Current Borrowings	12,213	12,773
Total Borrowings	14,478	15,046

The Department measures financial liabilities including borrowings/debt at historical cost, except for interest free loans (measured at the present value of expected repayments).

(1) These borrowings represent loans relating to the Office for Recreation and Sport. The borrowings consist of two loans at fixed interest rates of 7.99% and 7.34% and have maturity dates of 2017 and 2018 respectively.

(2) Secured by the asset leased.

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

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Assets Pledged as Security		2017	2016
		\$'000	\$'000
The carrying amount of non-current assets pledged as security are:			
	Note		
Leased land and buildings:			
Buildings and improvements under lease	27	35,712	35 723
Leased plant and equipment:			
Computer and office equipment	28	-	1 553
Total Assets Pledged as Security		35,712	37,276

For further information on risk management refer to Note 39.

Note 35: Employee Benefits

	2017	2016
	\$'000	\$'000
Current:		
Annual leave	20,495	19,869
Long service leave	6,586	6,624
Skills and Experience Retention Leave	1,822	1,824
Accrued salaries and wages	4,005	2,604
Total Current Employee Benefits	32,908	30,921
Non-Current:		
Long service leave	66,190	67,379
Total Non-Current Employee Benefits	66,190	67,379
Total Employee Benefits	99,098	98,300

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 the long service leave liability. The yield on long term Commonwealth Government bonds has increased from 2016 (2.0%) to 2017 (2.5%).

This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The net financial effect of the changes in the current financial year is a decrease in the long service leave liability of \$2.618 million and employee benefit expense of \$0.241 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption is the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result there is no financial effect resulting from changes in the salary inflation rate.

Department of Planning, Transport and Infrastructure
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Note 36: Provisions

	2017 \$'000	2016 \$'000
Current:		
Provision for workers compensation	1,688	2,555
Site remediation	11,788	6,891
Total Current Provisions	13,476	9,446
Non-Current:		
Provision for workers compensation	5,927	6,469
Site remediation	4,171	9,139
Total Non-Current Provisions	10,098	15,608
Total Provisions	23,574	25,054

Reconciliation of Workers Compensation

The following table shows the movement of the workers compensation provision:

Carrying amount as at 1 July	9,024	7,294
Increase (decrease) in provision due to revision of estimates	51	4,672
Reductions resulting from payments	(1,460)	(2,942)
Carrying Amount at 30 June	7,615	9,024

Reconciliation of Site Remediation

The following table shows the movement of the site remediation provision:

Carrying amount as at 1 July	16,030	15,938
Increase in provision due to revision of estimates	106	143
Reductions resulting from payments	(177)	(51)
Carrying Amount at 30 June	15,959	16,030

Provisions have been reported to reflect unsettled workers compensation claims and land remediation work required under the Ports Corp Business and Sale Agreement.

The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2017 provided by an actuary engaged through the Office for the Public Sector (a division of the Department of Premier and Cabinet). The provision is for the estimated cost of ongoing payments to employees as required under current legislation. The Department is responsible for the payment of workers compensation claims.

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Note 37: Other Liabilities

	2017	2016
	\$'000	\$'000
Current:		
Deferred income	14,896	13,992
Lease Incentives	7,551	8,090
Other	1,843	201
Total Current Other Liabilities	24,290	22,283
Non-Current:		
Lease Incentives	42,612	47,919
Other	-	119
Total Non-Current Other Liabilities	42,612	48,038
Total Other Liabilities	66,902	70,321

Deferred Income

The Department sells Metrotickets for travel on public transport. The value of unused Metrotickets as at 30 June is recognised as a liability.

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Note 38: Prior Period Adjustments - Adjustments to Equity

	2017 \$'000	2016 \$'000
Restatement of Opening Balances		
Adjustments against Retained Earnings:		
Work in progress adjustment - error correction	(8,922)	(148)
Asset recognition - error correction	(7,367)	(59,544)
Other adjustments - error correction	(1,176)	33,777
Total Adjustments against Retained Earnings	(17,465)	(25,915)
Adjustments against Asset Revaluation Surplus:		
Asset revaluation - error correction	12,220	(34,145)
Total Adjustments against Asset Revaluation Surplus	12,220	(34,145)
Total Adjustments to Equity	(5,245)	(60,060)

The table above represents total adjustments to equity identified in each year. Adjustments totalling \$5.995 million (\$60.060 million) were identified in the year ended 30 June 2017 which affect the year ended 30 June 2016 and prior years.

RESTATEMENT OF OPENING BALANCES

Adjustments against Retained Earnings

Work in progress adjustment – error correction

A review of completed projects by the Department in the year ended 30 June 2017 identified costs of \$8,922 million which were recognised within the capital works in progress asset balance at 30 June 2016 which did not meet the Department's asset recognition criteria. Recognising these costs within the balance of capital works in progress instead of as expenses in the year ended 30 June 2016 or a prior period is an error which was corrected in the current year by an adjustment to retained earnings. The impact on the financial statements for 2015-16 is summarised below:

	2016 \$'000	2015 \$'000	Total \$'000
Work in progress adjustment - error correction			
Road network - work in progress	(2,394)	(1,242)	(3,636)
Land, buildings and facilities - work in progress	(4,783)	(503)	(5,286)
Total work in progress adjustment	(7,177)	(1,745)	(8,922)

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Asset Recognition – error correction

Asset reconciliation and stock take procedures in 2016-17 identified assets totalling \$6.963 million which were not recognised or incorrectly recognised in prior years. This value is summarised below by asset class:

	2016	2015	Total
	\$'000	\$'000	\$'000
Asset recognition - error correction			
Network Assets	(1,154)	-	(1,154)
Land, buildings and facilities	(1,821)	990	(831)
Plant and equipment	(106)	(5,276)	(5,382)
Total asset recognition - error correction	(3,081)	(4,286)	(7,367)

Other Adjustments – error correction

	2016	2015	Total
	\$'000	\$'000	\$'000
Other adjustments - error correction			
Cash and cash equivalents	102	3	105
Payables	(781)	-	(781)
Other Liabilities	(500)	-	(500)
Total other adjustments error correction	(1,179)	3	(1,176)

Adjustments against Asset Revaluation Surplus

Asset Revaluation – error correction

An adjustment was made to the revaluation surplus account in 2016-17 of \$12.220 million. The adjustment is mainly attributed to the correction of the 2015-16 structures revaluation.

	2016	2015	Total
	\$'000	\$'000	\$'000
Asset Revaluation - error correction			
Network Assets	14,255	-	14,255
Land, buildings and facilities	(2,035)	-	(2,035)
Total asset revaluation - error correction	12,220	-	12,220

Note 39: Financial Instruments

39.1 – Financial risk management

The Department has developed a Risk Management policy and associated Framework in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*. This policy and framework set out the tailored approach to identify and manage risk within the Department.

The Department's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity Risk

Liquidity risk arises from the possibility that the Department is unable to meet its financial obligations as they fall due. The Department works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Credit and market risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in a financial loss to the Department. The Department has policies and procedures in place to ensure business transactions occur with customers with appropriate credit history.

The Department enters into business transactions that require the payment of goods or services in a foreign currency. Foreign currency risk associated with significant payments is minimised using a strategy of forward cover contract through SAFA articulated in *TI 23 Management of Foreign Currency Exposures*.

No collateral is held as security and no credit enhancements relate to financial assets held by the Department.

Exposure to interest rate risk may arise through interest bearing liabilities, including borrowings.

The interest expense implicit in any finance lease payment is fixed at the inception of the lease and is calculated using prevailing government borrowing rates as advised by SAFA. The Department's revenue base is sufficient for the purpose of servicing its interest and loan repayment commitments.

There have been no changes in risk exposure since the last reporting date.

39.2 – Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 3 or the respective financial asset /liability note.

The carrying amounts of each category of financial assets and liabilities are detailed below.

The Department does not recognise any financial assets or financial liabilities at fair value.

The carrying amount of cash and cash equivalents represents fair value. Cash is available at call and is recorded at cost.

The carrying amount less impairment provisions of receivables and payables is a reasonable approximation of fair value due to the short term nature of these.

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Finance leases are recorded at amounts equal to the lower of the fair value of the leased asset or the present value of the minimum lease payments using a government borrowing rate. Lease payments are made in accordance with the schedules determined at the inception of each lease.

Borrowings (excluding finance leases) are recognised at cost. The borrowings consist of two loans at fixed interest rates of 7.99% and 7.34% and have maturity dates of 2017 and 2018 respectively.

Category of financial asset and financial liability		Notes	Carrying amount \$'000	Contractual Maturities		
				Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
2017						
Financial assets						
Cash and cash equivalents:	Cash and cash equivalent	22	3,263,659	3,263,659	-	-
Loans and receivables:	Receivables ⁽¹⁾	23	186,748	184,703	5	2,040
	Finance lease receivable	40	6,109	862	2,947	2,300
Total financial assets			3,456,516	3,449,224	2,952	4,340
Financial Liabilities						
Financial liabilities at cost:	Payables ⁽¹⁾	33	273,175	254,025	19,150	-
	Borrowings	34	240	240	-	-
	Finance lease payable	40	18,461	2,833	8,878	6,750
Total financial liabilities			291,876	257,098	28,028	6,750
2016						
Financial assets						
Cash and cash equivalents:	Cash and cash equivalent	22	2,125,707	2,125,707	-	-
Loans and receivables:	Receivables ⁽¹⁾	23	129,752	127,624	88	2,040
	Finance lease receivable	40	6,798	856	3,030	2,912
Total financial assets			2,262,257	2,254,187	3,118	4,952
Financial Liabilities						
Financial liabilities at cost:	Payables ⁽¹⁾	33	212,572	193,663	18,909	-
	Borrowings	34	803	563	240	-
	Finance lease payable	40	18,590	2,519	7,633	8,438
Total financial liabilities			231,965	196,745	26,782	8,438

(1) Receivable and payable amounts disclosed exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local govt taxes, fees and charges; Auditor-General's audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirement will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents etc. they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

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Note 40: Unrecognised Contractual Commitments

Capital Commitments	2017	2016
	\$'000	\$'000
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:		
Within one year	1,054,269	923,102
Later than one year but no later than five years	299,544	813,826
Later than five years	180	-
Total Capital Commitments	1,353,993	1,736,928

The Department's capital commitments are predominantly for aggregate capital expenditure on construction projects relating to road networks, the purchase of new public transport vehicles and the construction and upgrade of Government buildings and facilities. Where this construction work is being done on behalf of other agencies the cost is recovered accordingly.

Other Commitments	2017	2016
	\$'000	\$'000
Within one year	383,450	305,235
Later than one year but no later than five years	299,123	526,685
Later than five years	31,929	27,232
Total Other Commitments	714,502	859,152

The Department's other commitments include major service and supply contracts for road maintenance, ferry operations and bus and rail transport services.

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Operating Lease Commitments as Lessee	2017	2016
	\$'000	\$'000
Commitments under operating leases at the reporting date but not recognised as liabilities in the financial report, are payable as follows:		
Within one year	150,510	159,430
Later than one year but no later than five years	402,912	417,027
Later than five years	170,354	215,792
Total Operating Lease Commitments as Lessee	723,776	792,249

Representing:

Cancellable operating leases	8,400	12,656
Non-cancellable operating leases	715,376	779,593
Total Operating Lease Commitments as Lessee	723,776	792,249

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

Within one year	145,111	152,712
Later than one year but no later than five years	400,133	411,310
Later than five years	170,132	215,571
Total Non-cancellable Operating Lease Commitments as Lessee	715,376	779,593

The Department's operating lease commitments as lessee are for land, motor vehicles, office equipment, other plant and equipment and commercial and residential accommodation.

Commercial accommodation leases are non-cancellable with terms ranging from 1 to 20 years. Rental is payable in advance with no contingent rental provisions. Residential accommodation leases are cancellable with varying terms and have no option to renew.

Motor vehicle leases are cancellable, rentals are paid monthly in arrears and no contingent rental provisions exist within the agreement. Motor vehicle lease terms may be for 1 year (or 60 000 kms whichever comes first) or 5 years (or 100 000 kms whichever comes first).

Operating Lease Commitments as Sub-lessor	2017	2016
	\$'000	\$'000
Commitments under operating subleases at the reporting date but not recognised as receivable in the financial report, are as follows:		
Within one year	127,666	136,562
Later than one year but no later than five years	343,813	362,909
Later than five years	168,758	205,295
Total Operating Lease Commitments as Sub-lessor	640,237	704,766

The Department leases a number of properties from private landlords and sub-lets these properties to various tenants. The Department is therefore a sub-lessor of these properties.

Operating Lease Commitments as Lessor	2017	2016
	\$'000	\$'000
Commitments under operating leases at the reporting date but not recognised as receivable in the financial report, are as follows:		
Within one year	28,220	22,689
Later than one year but no later than five years	21,165	15,599
Later than five years	13,277	955
Total Operating Lease Commitments as Lessor	62,662	39,243

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The Department's operating lease commitments as lessor are for commercial and residential properties and access rights to State owned land sites. Commercial accommodation leases are non-cancellable with terms ranging from 1 to 20 years. Rental is receivable in advance.

Leases as lessor from the Office for Recreation and Sport are non-cancellable leases of sporting venues and office accommodation leased to various sporting organisations. The leases have terms ranging from 1 to 20 years with some having a right of renewal.

Finance Lease Commitments as Lessee	2017	2016
	\$'000	\$'000
Future minimum lease payments under finance leases and hire purchase contracts together with the present value of net minimum lease payments are as follows:		
Within one year	2,833	2,518
Later than one year but no longer than five years	8,878	7,633
Later than five years	6,750	8,438
Minimum lease payments	18,461	18,589
Future finance lease charges	(4,223)	(4,346)
Total Finance Lease Commitments as Lessee (Recognised as a Liability)	14,238	14,243
The present value of finance lease payable is as follows:		
Within one year	2,025	1,710
Later than one year but no longer than five years	6,301	5,331
Later than five years	5,912	7,202
Present Value of Finance Lease	14,238	14,243
Representing:		
Current	2,025	1,710
Non-current	12,213	12,533
Total included in Borrowings	14,238	14,243

The Department's finance leases as lessee relate to government accommodation and computer hardware and software.

The Department's computer and network printer equipment leases are non-cancellable with terms of three to four years. Each lease contains three options at the conclusion of the current term being: return equipment, extend the lease at fair market value or purchase the equipment at fair market value. In all cases the Department chooses to exercise its right to return the equipment. The weighted average interest rate implicit in the lease is 14.15% (9.64%).

The lease for Roma Mitchell House is non-cancellable, for a term of 40 years due to expire 2027. At the end of the lease term, the building becomes part of the Department's owned portfolio. Rent is payable monthly, in advance. A contingent rental provision exists, in which an amount is expensed after taking into account the principal reduction and interest expense from the monthly lease payment. This contingent rental expense was \$2.48 million in the year ended 30 June 2017 (\$2.45 million).

The lease payment changes each year in accordance with CPI. The weighted average interest rate implicit in the lease in the year ended 30 June 2017 is 5.52% (5.52%).

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Finance Lease Commitments as Lessor	2017	2016
	\$'000	\$'000
Finance lease receivables contracted for at the reporting date are as follows:		
Within one year	862	857
Later than one year but no longer than five years	2,947	3,031
Later than five years	2,300	2,912
Minimum lease payments	6,109	6,800
Unearned finance income	(397)	(478)
Total Finance Lease Commitments as Lessor (Recognised as an Asset)	5,712	6,322
The present value of finance lease receivable is as follows:		
Within one year	776	763
Later than one year but no longer than five years	2,720	2,769
Later than five years	2,216	2,790
Present Value of Finance Lease	5,712	6,322
Representing:		
Current	776	763
Non-current	4,936	5,559
Total included in Receivables	5,712	6,322

The Department's finance leases as lessor represents recreational jetties and residential properties (ie government employee housing). As the finance leases for recreational jetties provide no material revenues, amounts associated with these leases have not been recognised.

Residential property finance leases where the Department is the lessor are non-cancellable, for a term of 20 years. At the end of the lease term, the asset belongs to the lessee. Rent is paid one month in advance and there are no contingent rental provisions. The interest rate for the June 2017 quarter implicit in the lease is 1.61 percent (1.58 percent).

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Note 41: Contingent Assets and Liabilities

Contingent Assets

At 30 June 2017, the Department:

- may be awarded the reimbursements of costs for some legal cases which are still subject to litigation
- holds contract securities which are designed to cover the risk to the Department in the event of contractor non-performance or insolvency. In the event of contractor non-performance or insolvency, the Department can call upon the contract security to cover any resulting costs incurred
- has a possible entitlement to funds relating to a third party incident involving marine equipment.

Contingent Liabilities

At 30 June 2017, the Department had:

- possible material exposures resulting from litigation (or pending litigation) in respect of claims for property damage or personal injury
- received notification of other cases not yet subject to court action or formal claim, which may result in subsequent litigation or arbitration in the future
- possible material exposure resulting from the ongoing monitoring and treatment of contaminated land assets to bring the land into a position for future use or sale
- property agreements that provide for additional compensation payments where a property owner purchases a replacement investment property within 12 months.
- a possible obligation relating to a third party incident involving marine equipment.

In addition, the Department is awaiting the outcome of formal and informal proceedings which may result in possible liabilities.

The Department believes that the extent of these contingent liabilities cannot be reliably measured at balance date.

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Note 42: Cash Flow Reconciliation

	2017 \$'000	2016 \$'000
Reconciliation of Cash and Cash Equivalents - Cash at 30 June as per:		
Statement of Cash Flows	3,263,659	2,125,707
Statement of Financial Position	3,263,659	2,125,707
Reconciliation of Net Cash provided by (used in) operating activities to net revenue (cost of) / from providing services:		
Net cash provided by operating activities	1,956,893	1,057,245
Revenues from SA Government	(1,604,382)	(875,190)
Payments to SA Government	61,415	5,600
Add (less): Non-Cash Items:		
Net gain (loss) on sale or disposal of non-current assets	(286)	1,691
Depreciation/amortisation expense of non-current assets	(428,894)	(397,279)
Assets written off	(889)	(1,595)
Assets donated	(52,420)	(1,629)
Resources received free of charge	22,105	3,418
Expensing of works in progress	(2,747)	(8,597)
Movements in Assets and Liabilities:		
Increase (Decrease) in receivables	43,095	30,187
Increase (Decrease) in inventories	(71)	(1,818)
Increase (Decrease) in other assets	(5,362)	25,575
(Increase) Decrease in payables and provisions	(39,824)	(103,900)
(Increase) Decrease in employee benefits	(798)	5,857
(Increase) Decrease in other liabilities	3,419	(15,183)
Net Revenue (Cost of) / from Providing Services	(48,746)	(275,618)

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Note 43: Transactions with SA Government

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

Note		SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	EXPENSES						
6	Employee benefits expenses	9,729	9,750	212,527	219,998	222,256	229,748
7	Supplies and services						
	Bus service contracts	-	-	202,236	195,434	202,236	195,434
	Rail Commissioner salary reimbursements	67,625	57,071	-	-	67,625	57,071
	Major infrastructure maintenance contracts	-	-	61,878	55,243	61,878	55,243
	Other service contracts	3,779	3,384	109,531	89,923	113,310	93,307
	Consultants	-	-	93	207	93	207
	Operating leases	7,628	8,364	161,761	157,164	169,389	165,528
	Property expenses	1,114	866	121,518	114,051	122,632	114,917
	Plant, equipment and vehicle expenses	6,022	5,880	3,673	6,280	9,695	12,160
	Information technology	36	53	10,630	8,481	10,666	8,534
	Materials and other purchases	-	-	23,070	23,137	23,070	23,137
	Utilities	6,815	7,582	25,183	25,220	31,998	32,802
	Insurance	4,463	4,879	481	1,420	4,944	6,299
	Legal services	1,988	1,938	196	-	2,184	1,938
	Commissions - transaction processing	-	-	2,164	2,511	2,164	2,511
	Auditor's remuneration	919	1,063	-	-	919	1,063
	Administrative costs	-	-	8,218	6,792	8,218	6,792
	Payment to Service SA - registration and licensing collection	34,335	32,934	-	-	34,335	32,934
	Other	15,633	16,273	10,385	7,618	26,018	23,891
8	Depreciation and amortisation expense	-	-	428,894	397,279	428,894	397,279

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Note		SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
18	Net loss from disposal of non-current assets	-	-	286	-	286	-
9	Grants and subsidies						
	Contribution for policing services	40,435	39,481	-	-	40,435	39,481
	Transport Subsidy Scheme	-	-	8,959	9,433	8,959	9,433
	Grants to local councils	-	-	15,337	11,260	15,337	11,260
	Transport concessions	-	-	4,009	4,425	4,009	4,425
	Grants by Office for Recreation and Sport	-	-	55,680	37,680	55,680	37,680
	Other	1,783	1,200	5,318	5,077	7,101	6,277
10	Borrowing costs	878	859	36	80	914	939
11	Other Expenses						
	Rates, taxes and levies	5,734	6,374	2,760	3,054	8,494	9,428
	Donated assets	50,630	1,629	1,790	-	52,420	1,629
	Bad and doubtful debts expense	-	-	253	2,664	253	2,664
	Write-off of an asset	-	-	889	1,595	889	1,595
	Indentured Ports	10,024	11,424	-	-	10,024	11,424
	Site remediation	-	-	106	143	106	143
	Payment to National Heavy Vehicle Regulator – State Contribution	-	-	-	13,648	-	13,648
	Other	1,404	38	140	277	1,544	315
21	Payments to SA Government	61,415	5,600	-	-	61,415	5,600
	TOTAL EXPENSES	332,389	216,642	1,478,001	1,400,094	1,810,390	1,616,736

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Note		SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	INCOME						
12	Fees and charges						
	Drivers licence fees	-	-	54,305	48,721	54,305	48,721
	Metro tickets	-	-	91,029	90,456	91,029	90,456
	Motor registrations	2,837	2,790	416,774	410,707	419,611	413,497
	Marine related fees and charges	-	-	22,222	23,190	22,222	23,190
	Land services fees	9,283	8,971	6,417	6,426	15,700	15,397
	Other fees and charges	321	264	21,979	22,625	22,300	22,889
13	Commonwealth revenues						
	Commonwealth grants received via DTF	549,246	234,429	-	-	549,246	234,429
	National Land Transport Act 2014	-	-	7,084	8,854	7,084	8,854
	Other Commonwealth revenues	-	-	695	464	695	464
14	Sale of goods and services						
	Maintenance services	109,397	97,868	3,993	6,541	113,390	104,409
	Other sale of goods	170	31	416	173	586	204
	Other sale of services	17,696	15,783	19,719	22,095	37,415	37,878
15	Rental Income						
	Government accommodation	195,397	195,813	9,498	9,789	204,895	205,602
	Property rents and recoveries	-	6	3,528	3,497	3,528	3,503
	Other lease income	2	180	5,585	5,637	5,587	5,817
16	Grants and subsidies income						
	Concessional passenger income	57,051	57,283	-	-	57,051	57,283
	Grants received by Office for Recreation and Sport	-	-	469	451	469	451
	Other	-	-	120	250	120	250
17	Interest	1,652	2,134	106	-	1,758	2,134
18	Net gain from disposal of non-current assets	-	18	-	1,673	-	1,691

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Note		SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
19	Resources received free of charge						
	Land, buildings and facilities	15,232	711	196	876	15,428	1,587
	Network Assets	6,177	-	500	1,721	6,677	1,721
	Plant and equipment	-	-	-	110	-	110
20	Other income						
	Recoveries and contributions	1,226	1,215	22,492	22,932	23,718	24,147
	Reimbursement works and external project contributions	14,065	1,540	10,429	11,451	24,494	12,991
	Intra government transfers	22,896	17,492	-	-	22,896	17,492
	Commissions Received	25	35	-	-	25	35
	Sundry income	-	284	-	32	-	316
21	Revenues from SA Government	1,604,382	875,190	-	-	1,604,382	875,190
	TOTAL INCOME	2,607,055	1,512,037	697,556	698,671	3,304,611	2,210,708

FINANCIAL ASSETS							
22	Cash and cash equivalents	3,263,633	2,125,707	26	-	3,263,659	2,125,707
23	Receivables						
	Receivables	86,657	56,596	18,968	17,588	105,625	74,184
	Allowance for doubtful debts	(93)	(93)	(3,642)	(3,808)	(3,735)	(3,901)
	Finance lease receivables	4,835	5,470	877	852	5,712	6,322
	GST input tax recoverable	-	-	15,058	10,241	15,058	10,241
	Accrued revenues	54,456	39,814	25,860	15,227	80,316	55,041
	Lease incentives	-	-	5,987	29,737	5,987	29,737
	Loan receivables	-	-	4,542	4,428	4,542	4,428
25	Other Assets						
	Prepayments	649	506	49,978	37,936	50,627	38,442
	Other	-	155	-	-	-	155
	Lease Incentives	45,992	51,199	-	-	45,992	51,199
	TOTAL FINANCIAL ASSETS	3,456,129	2,279,354	117,654	112,201	3,573,783	2,391,555

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Note		SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	FINANCIAL LIABILITIES						
33	Payables						
	Creditors	1,643	6,444	303	10,952	1,946	17,396
	Accrued expenses	15,345	5,270	224,527	160,991	239,872	166,261
	Rail Commissioner (Federally Awarded Employees)	32,261	29,911	-	-	32,261	29,911
	Employment on-costs	10,837	10,697	2	-	10,839	10,697
	Lease incentives	6,295	30,964	-	-	6,295	30,964
	Other	-	-	15	67	15	67
34	Borrowings						
	Borrowings	-	-	240	803	240	803
	Obligations under finance leases	11,722	12,706	2,516	1,537	14,238	14,243
37	Other liabilities						
	Deferred income	1,294	141	13,602	13,851	14,896	13,992
	Lease Incentives	-	-	50,163	56,009	50,163	56,009
	Other	9	208	1,834	112	1,843	320
	TOTAL FINANCIAL LIABILITIES	79,406	96,341	293,202	244,322	372,608	340,663

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2017

Note 44: Related Party Transactions

The Department is a government administrative unit and is wholly owned and controlled by the Crown.

Related parties of the Department include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Significant transactions with government related entities

The Department had the following significant transactions with government related entities:

Related Party	Transaction Details	Amount (\$'000)
Motor Accident Commission	Funds received from the Motor Accident Commission to the Highways Fund for future investment in road safety improvements.	\$688,200
Department of Treasury and Finance	Funds received to the Highways Fund as a result of the Implementation Deeds between the State and the individual insurers for the Initial Market allocation fee for the Compulsory Third Party Insurance market in South Australia.	\$259,400
South Australian Water Corporation	Water and sewerage assets constructed and donated at cost as part of the North-South Corridor Darlington Upgrade (\$37.472 million) and South Road Upgrade Torrens to Torrens (\$13.158 million).	\$50,630
Generation Lessor Corporation	On 1 January the Department received free of charge land, buildings (\$15.232 million) and network assets (\$6.177 million) of the township of Leigh Creek from the Generation Lessor Corporation. Amounts were recognised at fair value.	\$21,409
Urban Renewal Authority	Land acquisition by agreement and at market value for the Northern Connector Project.	\$13,221

Collectively, but not individually significant transactions with government related entities.

Quantitative information about transactions and balances between the Department and other SA Government controlled entities are disclosed at Note 43.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2017

Key Management Personnel

Key management personnel of the Department include the Minister for Transport and Infrastructure, the Chief Executive Officer and the remaining three members of the Executive Team who have responsibility for the strategic direction and management of the Department. The compensation detailed below excludes salaries and other benefits the Minister for Transport and Infrastructure receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

	2017
Compensation	\$'000
Salaries and other short term employee benefits	1,083
Post-employment benefits	284
Total compensation	1,367

Transactions with Key Management Personnel and other related parties

There were no transactions with key management personnel and other related parties during the year.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2017

Note 45: Budgetary reporting and explanations of major variances between budget and actual amounts

Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2016-17 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 restructures/machinery of government changes.

The budget process is not subject to audit.

The following are brief explanations of variances between original budget and actual amounts. Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.

		Original Budget (1) 2017 \$'000	Actual 2017 \$'000	Variance \$'000
STATEMENT OF COMPREHENSIVE INCOME EXPENSES	Note			
Employee benefit expenses		242,980	222,256	(20,724)
Supplies and services		854,557	891,374	36,817
Depreciation and amortisation expense		384,677	428,894	44,217
Net loss from the disposal of non-current assets		-	286	286
Grants and subsidies		132,594	131,521	(1,073)
Borrowing costs		3,478	914	(2,564)
Other expenses		25,516	73,730	48,214
Total Expenses		1,643,802	1,748,975	105,173
INCOME				
Fees and charges		595,570	625,167	29,597
Commonwealth revenues	a	658,367	557,025	(101,342)
Sale of goods and services		142,029	151,391	9,362
Rental income		215,497	214,010	(1,487)
Grants and subsidies		60,374	57,640	(2,734)
Interest		3,926	1,758	(2,168)
Net gain from the disposal of non-current assets		300	-	(300)
Resources received free of charge		-	22,105	22,105
Other income		102,190	71,133	(31,057)
Total Income		1,778,253	1,700,229	(78,024)
NET REVENUE FROM / (COST OF) PROVIDING SERVICES		134,451	(48,746)	(183,197)

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2017

REVENUES FROM (PAYMENTS TO) SA

GOVERNMENT:

Revenues from SA Government	b	636,641	1,604,382	967,741
Payments to SA Government		(8,386)	(61,415)	(53,029)
Net Revenues from (payments to) SA Government		628,255	1,542,967	914,712
Net Result		762,706	1,494,221	731,515

OTHER COMPREHENSIVE INCOME

Items that will not be reclassified to net result

Changes in property, network assets and plant and equipment asset revaluation surplus		40,761	100,753	59,992
TOTAL COMPREHENSIVE RESULT		803,467	1,594,974	791,507

- a) Commonwealth revenues were lower than original budget mainly due to the timing of Commonwealth contributions towards the Goodwood and Torrens Rail Junctions major project.
- b) Revenues from SA Government were higher than original budget mainly due to:
- funds received from the Motor Accident Commission to the Highways Fund for future investment in road safety improvements
 - funds received to the Highways Fund as a result of the Implementation Deeds between the State and the individual insurers for the Initial Market share allocation fee for the Compulsory Third Party Insurance market in South Australia.

INVESTING EXPENDITURE SUMMARY

		Original Budget (1) 2017 \$'000	Actual 2017 \$'000	Variance \$'000
	Note			
Investing Expenditure Summary				
Total new projects		65,672	44,111	(21,561)
Total existing projects	c	976,382	806,123	(170,259)
Total annual programs		143,508	127,510	(15,998)
Total investing expenditure		1,185,562	977,744	(207,818)

- (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 (2016-17 Budget Paper 4). These amounts have not been adjusted to reflect revised budgets or administrative restructures, machinery of government changes.
- c) Total existing projects investing expenditure was lower than original budget largely due to ongoing claims for land acquisition for the South Road Superway and re-profiling of expenditure in accordance with delivery schedules on projects including the Northern Connector, O-Bahn extension into the city, Adelaide Festival Centre precinct plaza and integration and freight access road projects across the Upper Yorke Peninsula Regional Road Network Upgrades.

Note 46: After Balance Date Events

As a result of restructuring of administrative arrangements outlined in the Government Gazette on 18 July 2017, the Department relinquished administrative responsibility for the Office of the Valuer-General to the Department of Treasury and Finance effective 1 July 2017.

The Treasurer announced on 10 August 2017 the privatisation of Land Title services to Land Services SA for a 40 year concessional period. The timing and financial effect is not yet known.

The Department is not aware of any further events occurring after balance date.

Department of Planning, Transport and Infrastructure
STATEMENT OF ADMINISTERED COMPREHENSIVE INCOME
for the year ended 30 June 2017

	Note	2017	2016
	No	\$'000	\$'000
EXPENSES			
Employee benefit expenses	A7	614	596
Supplies and services	A8	6,518	6,167
Grants and subsidies	A9	37,304	28,550
Disbursements on behalf of third parties	A10	985,702	927,940
Borrowing costs		43	62
Payments to Consolidated Account	A11	187,645	183,231
Total Expenses		1,217,826	1,146,546
INCOME			
Revenues from SA Government	A12	9,213	8,860
Fees and charges	A13	216,497	212,438
Collections on behalf of third parties	A14	982,492	924,850
Grants and subsidies	A15	3,842	3,610
Interest revenue	A16	460	591
Other income		297	214
Total Income		1,212,801	1,150,563
Net Result		(5,025)	4,017
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to net result</i>			
Changes in revaluation surplus		-	1,446
Total Other Comprehensive Income		-	1,446
TOTAL COMPREHENSIVE RESULT		(5,025)	5,463

Department of Planning, Transport and Infrastructure
STATEMENT OF ADMINISTERED FINANCIAL POSITION
as at 30 June 2017

	Note	2017	2016
	No	\$'000	\$'000
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	A17	90,410	73,407
Receivables	A18	535	361
Total Current Assets		90,945	73,768
NON-CURRENT ASSETS:			
Receivables	A18	33	365
Land	A19	17,844	17,844
Total Non-Current Assets		17,877	18,209
Total Assets		108,822	91,977
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	A21	68,290	46,838
Borrowings	A22	321	291
Other liabilities	A23	3,260	2,540
Total Current Liabilities		71,871	49,669
NON-CURRENT LIABILITIES:			
Borrowings	A22	33	365
Total Non-Current Liabilities		33	365
Total Liabilities		71,904	50,034
NET ASSETS		36,918	41,943
EQUITY:			
Retained Earnings		32,396	37,421
Asset Revaluation Surplus		4,522	4,522
Total Equity		36,918	41,943
Contingent assets and liabilities	A29		
Unrecognised contractual commitments	A30		

Department of Planning, Transport and Infrastructure
STATEMENT OF ADMINISTERED CHANGES IN EQUITY
for the year ended 30 June 2017

	Note No	Revaluation Surplus \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 30 June 2015		3,076	33,842	36,918
Prior Period - error corrections identified in 2015-16		-	(438)	(438)
Restated Balance at 30 June 2015		3,076	33,404	36,480
Net result for 2015-16		-	4,017	4,017
Gain on Revaluation of Land during 2015-16		1,446	-	1,446
Total comprehensive result for 2015-16		1,446	4,017	5,463
Balance at 30 June 2016		4,522	37,421	41,943
Net result for 2016-17		-	(5,025)	(5,025)
Total comprehensive result for 2016-17		-	(5,025)	(5,025)
Balance at 30 June 2017		4,522	32,396	36,918

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

Department of Planning, Transport and Infrastructure
STATEMENT OF ADMINISTERED CASH FLOWS
for the year ended 30 June 2017

	Note No.	2017 \$'000 Inflows (Outflows)	2016 \$'000 Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefit payments		(611)	(536)
Payments for supplies and services		(5,192)	(6,482)
Grants and subsidies		(33,181)	(23,915)
Disbursements on behalf of third parties		(969,321)	(926,516)
Payments to Consolidated Account		(188,026)	(182,359)
Cash used in Operations		(1,196,331)	(1,139,808)
CASH INFLOWS:			
Receipts from SA Government		9,213	8,860
Receipts from fees and charges		217,174	212,226
Collection on behalf of third parties		982,383	924,850
Grants and subsidies		3,839	3,612
Interest		428	522
Other income		297	214
Cash generated from Operations		1,213,334	1,150,284
Net cash provided by/(used in) operating activities	A26	17,003	10,476
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayment of loans - SA Government		(345)	(359)
Cash used in Financing Activities		(345)	(359)
CASH INFLOWS:			
Repayment of loans - Local Government		345	359
Cash generated from Financing Activities		345	359
Net Cash provided by/(used in) Financing Activities		-	-
NET INCREASE (DECREASE) IN CASH HELD		17,003	10,476
CASH AT 1 JULY		73,407	62,931
CASH AT 30 JUNE	A17	90,410	73,407

Department of Planning, Transport and Infrastructure
SCHEDULE OF EXPENSES AND INCOME ATTRIBUTABLE TO ADMINISTERED ACTIVITIES
for the year ended 30 June 2017

(Activities - refer to note A5)	Land Use Planning		Recreation, Sport and Racing		Roads and Marine		Infrastructure Planning and Management		Total 2017 \$'000	Total 2016 \$'000
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000		
EXPENSES:										
Employee benefit expenses	278	279	-	-	-	-	336	317	614	596
Supplies and services	3,319	3,141	-	-	-	-	3,199	3,026	6,518	6,167
Grants and subsidies	31,036	22,473	3,920	3,600	-	-	2,348	2,477	37,304	28,550
Disbursements on behalf of third parties	-	-	-	-	985,702	927,940	-	-	985,702	927,940
Borrowing costs	-	-	-	-	-	-	43	62	43	62
Payments to Consolidated Account	-	-	-	-	-	-	187,645	183,231	187,645	183,231
Total Expenses	34,633	25,893	3,920	3,600	985,702	927,940	193,571	189,113	1,217,826	1,146,546
INCOME:										
Revenues from SA Government	2,577	1,918	-	-	3,210	3,223	3,426	3,719	9,213	8,860
Fees and charges	27,559	26,531	-	-	-	-	188,938	185,907	216,497	212,438
Collections on behalf of third parties	-	-	-	-	982,492	924,850	-	-	982,492	924,850
Grants and subsidies	-	-	3,842	3,610	-	-	-	-	3,842	3,610
Interest revenue	315	396	-	-	-	-	145	195	460	591
Other income	75	-	-	-	-	-	222	214	297	214
Total Income	30,526	28,845	3,842	3,610	985,702	928,073	192,731	190,035	1,212,801	1,150,563
Net Result	(4,107)	2,952	(78)	10	-	133	(840)	922	(5,025)	4,017

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2017

The Administered Financial Statements include income, expenses, assets and liabilities that the Department of Planning, Transport and Infrastructure (the Department) administers on behalf of the SA Government, but does not control.

A1: Objectives of the Department

The objectives of the Department, outlined in Note 1 for controlled items, apply equally to the Administered Financial Statements.

A2: Department Organisation

The organisational structure of the Department outlined in Note 2 for controlled items, applies to both the Departmental and the Administered Financial Statements.

A3: Significant Accounting Policies

The policies of the Department outlined in Note 3 for controlled items, apply equally to the Administered Financial Statements.

The amount of GST payable/receivable incurred by the Department in relation to administered functions is recognised in the Statement of Financial Position for controlled items.

A4: Changes in Accounting Policies

The changes in accounting policies outlined in Note 4 for controlled items, apply equally to the Administered Financial Statements. With respect to specific policies no changes have been noted for administered functions.

A5: Activities of the Department

The activities of the Department are outlined in Note 5 for controlled items. Activity 1: Land Use Planning, Activity 2: Recreation, Sport and Racing, Activity 4: Roads and Marine and Activity 6: Infrastructure Planning and Management apply to the Administered Financial Statements.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2017

A6: Administered Items of the Department

The Administered Items of the Department as at 30 June 2017 comprised the following:

- Appropriations to Outback Communities Authority and Local Government Grants Commission
- Asbestos Program
- Contractors Deposits
- Flinders Ports – Land Tax Equivalent
- Heritage Program
- Lincoln Cove Marina
- Metropolitan (Woodville, Henley and Grange) Drainage Scheme
- Passenger Transport Research and Development Fund
- Planning and Development Fund
- Planning fees
- Real Property Act Assurance Fund
- Real Property Act Trust Accounts
- Recreation and Sport Fund
- Registrar-General and Surveyor-General Statutory Act revenues
- Registration and Licensing collections and disbursements
 - Compulsory Third Party Insurance (CTPI)*
 - Emergency Services Levy
 - Expiations receipts
 - Hospital Fund - contributions
 - Lifetime Support Scheme receipts
 - National Heavy Vehicle Regulator – Federal Registrations
 - Stamp duties receipts
- South-Western Suburbs Drainage Scheme
- Special Act Salaries (Minister and Valuer-General)
- Sport and Recreation Fund
- Victims of Crime Levy
- West Beach Trust (trading as Adelaide Shores) – Tax Equivalent Regime
- Workers Liens Trust Account

*From the 1st July 2016, The Motor Accident Commission (MAC) ceased its statutory role as sole provider for Compulsory Third Party Insurance. Under CTP reforms, CTPI will be administered through the CTP Regulator with insurance coverage provided by various private insurers.

A7: Employee Benefit Expenses

	2017	2016
	\$'000	\$'000
Minister and Valuer-General salaries*	614	596
Total Employee benefit expenses	614	596

*Employee benefit expenses are specific to the Minister and the Valuer-General.

A8: Supplies and Services

	2017	2016
	\$'000	\$'000
Project Expenditure	3,286	2,939
Planning Fees	1,474	1,540
Professional and Technical Services	1,022	947
Auditor's Remuneration - Planning and Development Fund *	25	25
Other	711	716
Total Supplies and Services	6,518	6,167

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2017

* For work performed under the *Public Finance and Audit Act 1987*. No other services were provided by the Auditor-General's Department.

A9: Grants and Subsidies

	2017	2016
	\$'000	\$'000
Planning and Development Fund grant payments	28,465	20,547
Office for Recreation and Sport grants	3,920	3,600
Land Tax Equivalent - Flinders Ports (Transfer to DTF)	2,348	2,349
Transfer to Outback Communities Authority and Local Govt Grants Commission	1,697	1,060
West Beach Trust Tax equivalent reimbursements	874	865
Lincoln Cove Marina (Transfer to DTF)	-	129
Total Grants and Subsidies	37,304	28,550

A10: Disbursements on Behalf of Third Parties

	2017	2016
	\$'000	\$'000
Compulsory Third Party Insurance	509,416	481,944
Stamp Duties - Department of Treasury and Finance	169,182	158,886
Lifetime Support Scheme - Lifetime Support Authority	148,888	145,081
Hospital Fund - Department of Treasury and Finance	70,103	68,566
Emergency Services Levy - SA Fire & Emergency Services Commission	46,551	45,729
Refunds	17,889	17,659
National Heavy Vehicle Regulator	13,485	-
Federal Registrations	9,351	9,146
Expiation Notices - Fines Enforcement Unit	197	309
Other	640	620
Total Disbursements on Behalf of Third Parties	985,702	927,940

A11: Payments to Consolidated Account

	2017	2016
	\$'000	\$'000
Payments to Consolidated Account *	187,645	183,231
Total Payments to Consolidated Account	187,645	183,231

* Payments made into the Consolidated Account pursuant to the *Real Property Act 1886*

A12: Revenues from SA Government

	2017	2016
	\$'000	\$'000
Appropriations from the Consolidated Account pursuant to the <i>Appropriations Act</i> *	8,670	8,393
Special Acts	543	467
Total Revenues from SA Government	9,213	8,860

* Includes \$3.210 million (\$3.090 million) to fund remissions provided on emergency services levy charges.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2017

A13: Fees and Charges

	2017	2016
	\$'000	\$'000
Regulatory Fees - Land Services	187,984	183,511
Regulatory Fees - Planning	26,165	26,578
Land Tax Equivalent - Flinders Ports	2,348	2,349
Total Fees and Charges	216,497	212,438

A14: Collections on Behalf of Third Parties

	2017	2016
	\$'000	\$'000
Compulsory Third Party Insurance	509,416	481,944
Stamp Duties - Department of Treasury and Finance	169,182	158,886
Lifetime Support Scheme - Lifetime Support Authority	148,888	145,081
Hospital Fund - Department of Treasury and Finance	70,103	68,566
Emergency Services Levy - SA Fire & Emergency Services Commission	43,341	42,639
Refunds	17,889	17,659
National Heavy Vehicle Regulator	13,485	-
Federal Registrations	9,351	9,146
Expiation Notices - Fines Enforcement Unit	197	309
Other	640	620
Total Collections on Behalf of Third Parties	982,492	924,850

A15: Grants and Subsidies

	2017	2016
	\$'000	\$'000
Office for Recreation and Sport grants received	3,842	3,610
Total Grants and Subsidies	3,842	3,610

A16: Interest Revenue

	2017	2016
	\$'000	\$'000
Interest Revenue	460	591
Total Interest Revenue	460	591

A17: Cash and Cash Equivalents

	2017	2016
	\$'000	\$'000
Deposits at call*	90,410	73,407
Total Cash and Cash Equivalents	90,410	73,407

* The Department of Planning, Transport and Infrastructure (DPTI) administered cash includes cash collected by the Department of Premier and Cabinet (DPC) on behalf of DPTI through various payment channels managed by DPC including Bpoint and Australia Post.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2017

A18: Receivables

	2017 \$'000	2016 \$'000
Current:		
Current Receivables	365	292
Accrued Revenues	170	69
Total Current Receivables	535	361
Non-Current:		
Non-Current Loan Receivable	33	365
Total Non-Current Receivables	33	365
Total Receivables	568	726

Refer to Note A25 for information on risk management.

A19: Land

	2017 \$'000	2016 \$'000
Land:		
Land at Fair Value	17,844	17,844
Total Land	17,844	17,844

Reconciliation of Land

The following table shows the movement of Land during 2016-17.

	2017 \$'000	2016 \$'000
Carrying amount at 1 July	17,844	16,398
Revaluations	-	1,446
Carrying amount at 30 June	17,844	17,844

Land was revalued to fair value as at 1 July 2015 in accordance with AASB 116 '*Property, Plant and Equipment*'. The valuation of land was performed by the Valuer-General. The Valuer-General arrived at fair value based on recent market transactions for similar land in the area taking into account size, location, zoning and restricted use.

A20: Fair Value Measurement

Fair Value Hierarchy

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

Fair value measurements recognised in the Statement of Administered Financial Position are categorised into the following levels at 30 June 2017.

The Department had no Administered recurring or non-recurring fair value measurements categorised into Level 1 or Level 3.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2017

Fair Value Measurements at 30 June 2017

	2017	Level 2
	\$'000	\$'000
Recurring Fair Value Measurements		
Land (Note A19)	17,844	17,844
Total Recurring Fair Value Measurements	17,844	17,844

Fair value measurements at 30 June 2016

	2016	Level 2
	\$'000	\$'000
Recurring Fair Value Measurements		
Land (Note A19)	17,844	17,844
Total Recurring Fair Value Measurements	17,844	17,844

Valuation Techniques and Inputs

Valuation techniques used to derive Level 2 fair values are detailed in Note A19. There were no changes in valuation techniques during 2016-2017.

A21: Payables

	2017	2016
	\$'000	\$'000
Current:		
Creditors	28,113	11,777
Accrued Expenses	40,177	35,061
Total Current Payables	68,290	46,838
Total Payables	68,290	46,838

The Department of Planning, Transport and Infrastructure Administered creditors includes \$131,000 (\$130,000) comprising employee benefits \$117,000 (\$118,000) and employment on-costs \$14,000 (\$12,000).

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owing but unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received.

For further information on Risk Management refer to Note A25.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2017

A22: Borrowings

	2017 \$'000	2016 \$'000
Balance as at 1 July	656	953
Add Increases in debt due to Interest	43	62
Less Repayments:		
Woodville, Henley and Grange Drainage Scheme	(37)	(36)
South West Suburbs Drainage Scheme	(308)	(323)
Balance as at 30 June	354	656
Current	321	291
Non-Current	33	365
Total Borrowings	354	656

There were no defaults or breaches on any of the above liabilities throughout the year.

For further information in risk management refer to Note A25.

A23: Other liabilities

	2017 \$'000	2016 \$'000
Current:		
Deferred income	3,260	2,540
Total current other liabilities	3,260	2,540
Total other liabilities	3,260	2,540

Deferred income consists of revenue received in advance for land division fees. Monies received as at 30 June where a Certificate of Approval is yet to be issued are recognised as an unearned revenue liability.

A24: Equity

Prior Period Error Correction

A prior period adjustment was required to adjust multiple lines in the Planning and Development Fund Statements to reflect the correct balance as finalised December 2016 as part of the Planning and Development Fund audit.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2017

A25: Financial Instruments

A25.1 Financial Risk Management

The financial instruments/financial risk management items, conditions and accounting policies of the Department, outlined in Note 39 for controlled items, apply equally to the Administered Financial Statements.

The Department's exposure to financial risk (liquidity, credit and market) is low due to the financial instruments held.

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The Department normally settles accounts within 30 days from the date of the invoice is first received
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.

Exposure to interest rate risk will not arise on the administered interest bearing liabilities and interest bearing assets as the interest rate is fixed over the term of the loans.

A25.2 Categorisation and maturity analysis of financial assets and liabilities

		Contract Maturities		
	Carrying Amount (\$'000)	< 1 year (\$'000)	1-5 years (\$'000)	> 5 years (\$'000)
2017				
Financial Assets				
Cash and cash equivalents	90,410	90,410	-	-
Receivables	215	215	-	-
Receivables - Interest Bearing	353	321	32	-
Total Financial Assets	90,978	90,946	32	-
Financial liabilities				
Payables	68,155	68,155	-	-
Borrowings	353	321	32	-
Total Financial Liabilities	68,508	68,476	32	-
2016				
Financial assets				
Cash and cash equivalents	73,407	73,407	-	-
Receivables	129	129	-	-
Receivables - Interest Bearing	657	292	365	-
Total Financial Assets	74,193	73,828	365	-
Financial Liabilities				
Payables	46,710	46,710	-	-
Borrowings	656	291	365	-
Total Financial Liabilities	47,366	47,001	365	-

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2017

A26: Cash Flow Reconciliation

	2017	2016
	\$'000	\$'000
Reconciliation of Cash and Cash Equivalents - Cash at 30 June as per:		
Statement of Cash flows	90,410	73,407
Statement of Financial Position	90,410	73,407
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash inflows (outflows) from operating activities	17,003	10,476
Movements in assets and liabilities:		
Increase / (decrease) in receivables	144	(7)
(Increase) / decrease in payables	(21,452)	(7,137)
(Increase) / decrease in provisions	-	461
(Increase) / decrease in other liabilities	(720)	224
Net cost of providing services	(5,025)	4,017

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2017

A27: Transactions with SA Government

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

Note	SA Government		Non-SA Government		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES						
A7 Employee benefit expense	-	-	614	596	614	596
A8 Supplies and Services						
Project Expenditure	1,226	565	2,060	2,374	3,286	2,939
Professional and Technical Services	1,022	947	-	-	1,022	947
Planning Fees	37	53	1,437	1,487	1,474	1,540
Auditor's Remuneration - Planning and Development Fund *	25	25	-	-	25	25
Other	657	593	54	123	711	716
A9 Grants and Subsidies						
Office for Recreation and Sport grants	3,920	3,600	-	-	3,920	3,600
Planning and Development Fund grant payments	7,032	1,520	21,433	19,027	28,465	20,547
West Beach Trust Tax equivalent reimbursements	874	865	-	-	874	865
Lincoln Cove Marina (Transfer to DTF)	-	129	-	-	-	129
Land Tax Equivalent - Flinders Ports (Transfer to DTF)	2,348	2,349	-	-	2,348	2,349
Transfer to Outback Communities Authority and Local Govt Grants Commission	1,697	1,060	-	-	1,697	1,060
A10 Disbursements on Behalf of Third Parties						
Compulsory Third Party Insurance	108,856	472,901	400,560	9,043	509,416	481,944
Stamp Duties - Department of Treasury and Finance	169,182	158,886	-	-	169,182	158,886
Lifetime Support Scheme - Lifetime Support Authority	148,888	145,081	-	-	148,888	145,081
Hospital Fund - Department of Treasury and Finance	70,103	68,566	-	-	70,103	68,566
Emergency Services Levy - SA Fire & Emergency Services Commission	46,551	45,729	-	-	46,551	45,729
Refunds	-	-	17,889	17,659	17,889	17,659
National Heavy Vehicle Regulator	-	-	13,485	-	13,485	-
Federal Registrations	-	-	9,351	9,146	9,351	9,146
Expiation Notices - Fines Enforcement Unit	197	309	-	-	197	309

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2017

		640	620	-	-	640	620
	Other						
Note		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
N/A	Borrowing Costs	43	62	-	-	43	62
A11	Payments to Consolidated Account	187,645	183,231	-	-	187,645	183,231
	TOTAL EXPENSES	750,943	1,087,091	466,883	59,455	1,217,826	1,146,546
	INCOME						
A12	Revenues from SA Government	9,213	8,860	-	-	9,213	8,860
A13	Fees and Charges						
	Regulatory Fees - Land Services	215	165	187,769	183,346	187,984	183,511
	Regulatory Fees - Planning	274	494	25,891	26,084	26,165	26,578
	Land Tax Equivalent - Flinders Ports	-	-	2,348	2,349	2,348	2,349
A14	Collection on Behalf of Third Parties						
	Compulsory Third Party Insurance	509,416	481,944	-	-	509,416	481,944
	Stamp Duties - Department of Treasury and Finance	169,182	158,886	-	-	169,182	158,886
	Lifetime Support Scheme - Lifetime Support Authority	148,888	145,081	-	-	148,888	145,081
	Hospital Fund - Department of Treasury and Finance	70,103	68,566	-	-	70,103	68,566
	Emergency Services Levy - SA Fire & Emergency Services Commission	43,341	42,639	-	-	43,341	42,639
	Refunds	-	-	17,889	17,659	17,889	17,659
	National Heavy Vehicle Regulator	-	-	13,485	-	13,485	-
	Federal Registrations	-	-	9,351	9,146	9,351	9,146
	Expiation Notices - Fines Enforcement Unit	197	309	-	-	197	309
	Other	208	109	432	511	640	620
A15	Grants and Subsidies						
	Office for Recreation and Sport grants received	-	-	3,842	3,610	3,842	3,610
A16	Interest Revenue	417	529	43	62	460	591
N/A	Other Income	-	-	297	214	297	214
	TOTAL INCOME	951,454	907,582	261,347	242,981	1,212,801	1,150,563

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2017

Note		SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	FINANCIAL ASSETS						
A17	Cash and cash equivalents	90,410	73,407	-	-	90,410	73,407
A18	Receivables						
	Current Receivables	-	-	365	292	365	292
	Non-Current Loan Receivable	-	-	33	365	33	365
	Accrued Revenues	113	4	57	65	170	69
	TOTAL FINANCIAL ASSETS	90,523	73,411	455	722	90,978	74,133
	FINANCIAL LIABILITIES						
A21	Payables						
	Creditors	4,749	8,422	23,364	3,355	28,113	11,777
	Accrued Expenses	1,085	244	39,092	34,817	40,177	35,061
A22	Borrowings	354	656	-	-	354	656
A23	Other Liabilities	440	66	2,820	2,474	3,260	2,540
	TOTAL FINANCIAL LIABILITIES	6,628	9,388	65,276	40,646	71,904	50,034

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2017

A28: Budgetary Reporting and Explanations of major variances between budget and actual amounts

		Original Budget ⁽¹⁾	Actual	Variance
		2017	2017	
	Note	\$'000	\$'000	\$'000
STATEMENT OF COMPREHENSIVE INCOME				
EXPENSES				
Employee benefit expenses		351	614	263
Supplies and services		5,632	6,518	886
Grants and subsidies		30,265	37,304	7,039
Disbursements on behalf of third parties	a	895,130	985,702	90,572
Borrowing costs		121	43	(78)
Payments to Consolidated Account		210,811	187,645	(23,166)
Other expenses		6	-	(6)
Total Expenses		1,142,316	1,217,826	75,510
INCOME				
Revenues from SA Government		10,070	9,213	(857)
Fees and charges		234,507	216,497	(18,010)
Collections on behalf of third parties	a	892,282	982,492	90,210
Grants and subsidies		3,920	3,842	(78)
Interest revenue		1,096	460	(636)
Other income		30	297	267
Total Income		1,141,905	1,212,801	70,896
Net Result		(411)	(5,025)	(4,614)
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to net result		-	-	-
TOTAL COMPREHENSIVE RESULT		(411)	(5,025)	(4,614)

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 (2016-17 Budget Paper 4). These amounts have not been adjusted to reflect revised budgets or administrative restructures, machinery of government changes.

- a) Disbursements on behalf of third parties and Collections on behalf of third parties were higher mainly due to the new arrangements for Compulsory Third Party Insurance collections and the establishment of the Lifetime Support Scheme.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2017

A29: Contingent Assets and Liabilities

The Department is not aware of any administered contingent assets or liabilities.

A30: Unrecognised contractual commitments

	2017	2016
	\$'000	\$'000
Other Commitments:		
Within one year	2,986	110
Later than one year but not later than five years	791	-
Total Unrecognised Contractual Commitments	3,777	110

Other commitments are for agreements for grant funding and land management activities.

A31: Transfer payments

	2017	2016
	\$'000	\$'000
Transfer payments to SA Government Entities:		
Department of Treasury and Finance	429,278	424,636
Lifetime Support Authority	148,888	145,081
CTP Regulator	108,856	2,432
South Australian Fire and Emergency Services Commission	46,551	45,729
Fines Enforcement Unit	197	309
Motor Accident Commission	-	470,469
Other	17,130	9,847
Transfer payment to Federal Government Entities:		
Department of Infrastructure and Regional Development	9,351	9,146
Transfer payment to local government:		
Councils	22,870	20,514
Transfer payment to non-SA Government Entities:		
Other	434,048	17,725
Total Transfer Payments	1,217,169	1,145,888

A32: After balance date events

As a result of restructuring of administrative arrangements outlined in the Government Gazette on 18 July 2017, the Department relinquished administrative responsibility for the Office of the Valuer-General to the Department of Treasury and Finance effective 1 July 2017.

The Department is not aware of any further events occurring after balance date.

Certification of the financial statements

We certify that the:

- financial statements of the Department of Planning, Transport and Infrastructure:
 - are in accordance with the accounts and records of the 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 operations and cash flows for the financial year.
- Internal controls employed by the Department of Planning, Transport and Infrastructure over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Michael Deegan
Chief Executive

14 September 2017



Ben Seidel
A/Chief Finance Officer

14 September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chief Executive Department of Planning, Transport and Infrastructure

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Department of Planning, Transport and Infrastructure for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Department of Planning, Transport and Infrastructure as at 30 June 2017, 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.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- Disaggregated Disclosures – Expenses and Income for the year ended 30 June 2017
- Disaggregated Disclosures – Assets and Liabilities as at 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Statement of Administered Comprehensive Income for the year ended 30 June 2017
- a Statement of Administered Financial Position as at 30 June 2017
- a Statement of Administered Changes in Equity for the year ended 30 June 2017
- a Statement of Administered Cash Flows for the year ended 30 June 2017
- a Schedule of Expenses and Income attributable to administered activities for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information for administered items
- a Certificate from the Chief Executive and the Acting Chief Finance Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Department of Planning, Transport and Infrastructure. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the Chief Executive 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 management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

21 September 2017

Department of the
Premier and Cabinet

Financial report
for the year ended
30 June 2017

Department of the Premier and Cabinet
Statement of Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Employee benefits	6	147 649	138 702
Supplies and services	7	123 890	114 890
Grants and subsidies	8	42 190	6 971
Depreciation and amortisation	9	8 364	8 104
Other expenses	10	1 045	1 289
Net loss from the disposal of non-current assets	14	120	690
Total expenses		323 258	270 646
Income			
Fees and charges	11	188 975	193 563
Commonwealth revenues		211	238
Grants	12	1 035	842
Interest		2	1
Resources received free of charge	13	101	-
Recoveries from administered items		1 079	1 500
Other income	15	2 989	1 021
Total income		194 392	197 165
Net cost of providing services		128 866	73 481
Revenues from / payments to SA Government			
Revenues from SA Government	16	153 029	79 128
Payments to SA Government	16	(4 836)	(2 299)
Net revenues from SA Government		148 193	76 829
Net result		19 327	3 348
Total comprehensive result		19 327	3 348

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 the Premier and Cabinet
Statement of Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	17	127 258	68 386
Receivables	18	32 667	20 342
Inventories		235	78
Total current assets		160 160	88 806
Non-current assets			
Receivables	18	470	1 513
Non-current assets classified as held for sale	19	372	-
Property, plant and equipment	20	67 525	26 852
Works of art	20	84	27
Intangible assets	21	10 374	5 845
Total non-current assets		78 825	34 237
Total assets		238 985	123 043
Current liabilities			
Payables	23	55 486	15 690
Employee benefits	24	21 374	19 375
Provisions	25	630	922
Other liabilities	26	8 498	365
Total current liabilities		85 988	36 352
Non-current liabilities			
Payables	23	3 597	2 561
Employee benefits	24	38 951	27 739
Provisions	25	3 627	1 861
Other liabilities	26	540	900
Total non-current liabilities		46 715	33 061
Total liabilities		132 703	69 413
Net assets		106 282	53 630
Equity			
Contributed capital		916	916
Asset revaluation surplus		675	675
Retained earnings		104 691	52 039
Total equity		106 282	53 630

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	28
Contingent assets and liabilities	29

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

Department of the Premier and Cabinet
Statement of Changes in Equity
for the year ended 30 June 2017

	Contributed capital \$'000	Asset revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2015	916	2 339	48 054	51 309
Net result for 2015-16	-	-	3 348	3 348
Total comprehensive result for 2015-16	-	-	3 348	3 348
Transfer between equity components	-	(1 664)	1 664	-
Transactions with SA Government as owner				
Net assets transferred out as a result of an administrative restructure	-	-	(907)	(907)
Prior period adjustments	-	-	(120)	(120)
Balance at 30 June 2016	916	675	52 039	53 630
Net result for 2016-17	-	-	19 327	19 327
Total comprehensive result for 2016-17	-	-	19 327	19 327
Transactions with SA Government as owner				
Net assets transferred in as a result of an administrative restructure	-	-	33 362	33 362
Prior period adjustments	-	-	(37)	(37)
Balance at 30 June 2017	916	675	104 691	106 282

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 the Premier and Cabinet
Statement of Cash Flows
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash outflows			
Employee benefits		(142 561)	(136 150)
Supplies and services		(131 893)	(137 397)
Grants and subsidies		(13 150)	(6 971)
Other payments		(11 088)	(173)
Cash used in operations		(298 692)	(280 691)
Cash inflows			
Fees and charges		199 870	212 402
Commonwealth revenues		196	238
Grants		1 035	842
Interest received		2	1
Recoveries from administered items		1 079	1 500
GST recovered from the ATO		4 250	7 059
Receipts for security deposits		5 608	-
Other receipts		4	1 028
Cash generated from operations		212 044	223 070
Cash flows from SA Government			
Receipts from SA Government		153 029	79 128
Payments to SA Government		(4 836)	(2 299)
Cash generated from SA Government		148 193	76 829
Net cash provided by operating activities	32	61 545	19 208
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(4 890)	(4 755)
Purchase of intangible assets		(4 189)	(1 788)
Cash used in investing activities		(9 079)	(6 543)
Net cash used in investing activities		(9 079)	(6 543)
Cash flows from financing activities			
Cash outflows			
Cash transferred as a result of restructuring activities		(227)	(124)
Cash used in financing activities		(227)	(124)
Cash inflows			
Cash transferred in as a result of restructuring activities		6 633	-
Cash generated from financing activities		6 633	-
Net cash used in financing activities		6 406	(124)
Net increase/(decrease) in cash and cash equivalents		58 872	12 541
Cash and cash equivalents at the beginning of the period		68 386	55 845
Cash and cash equivalents at 30 June	17	127 258	68 386

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

Department of the Premier and Cabinet
Disaggregated Disclosures Expenses and Income
for the year ended 30 June 2017

	Premier and Cabinet Policy and Support		Strategic Engagement and Communications		Agent-General	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses						
Employee benefits	14 780	11 435	3 909	3 217	783	1 215
Supplies and services	7 564	4 381	7 589	2 554	1 073	955
Grants and subsidies	1 849	2 993	3 567	2 300	-	-
Depreciation and amortisation	59	76	80	66	64	46
Net loss from the disposal of non-current assets	-	2	-	-	27	-
Other expenses	113	10	121	-	(23)	140
Total expenses	24 365	18 897	15 266	8 137	1 924	2 356
Income						
Fees and charges	796	155	584	255	82	191
Commonwealth revenues	130	238	-	-	-	-
Grants	-	-	-	10	-	-
Interest	-	-	-	-	2	1
Resources received free of charge	-	-	-	-	-	-
Recoveries from administered items	-	-	1 079	1 500	-	-
Other income	4	6	112	140	229	159
Total income	930	399	1 775	1 905	313	351
Net cost of providing services	23 435	18 498	13 491	6 232	1 611	2 005
Revenues from / payments to SA Government						
Revenues from SA Government	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-
Net revenues from SA Government	-	-	-	-	-	-
Net result	(23 435)	(18 498)	(13 491)	(6 232)	(1 611)	(2 005)

Department of the Premier and Cabinet
Disaggregated Disclosures Expenses and Income
for the year ended 30 June 2017

	State Coordinator-General		Support Services and Community Programs		Government Publishing	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses						
Employee benefits	712	660	26 842	30 650	-	1 409
Supplies and services	136	109	28 796	22 649	-	1 499
Grants and subsidies	-	-	7	1 538	-	-
Depreciation and amortisation	2	-	491	884	-	146
Net loss from the disposal of non-current assets	-	-	57	109	-	51
Other expenses	-	-	612	648	-	6
Total expenses	850	769	56 805	56 478	-	3 111
Income						
Fees and charges	13	-	5 258	4 212	-	2 189
Commonwealth revenues	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Resources received free of charge	-	-	-	-	-	-
Recoveries from administered items	-	-	-	-	-	-
Other income	-	-	452	440	-	190
Total income	13	-	5 710	4 652	-	2 379
Net cost of providing services	837	769	51 095	51 826	-	732
Revenues from / payments to SA Government						
Revenues from SA Government	-	-	85 344	72 537	-	-
Payments to SA Government	-	-	(4 836)	(2 299)	-	-
Net revenues from SA Government	-	-	80 508	70 238	-	-
Net result	(837)	(769)	29 413	18 412	-	(732)

Department of the Premier and Cabinet
Disaggregated Disclosures Expenses and Income
for the year ended 30 June 2017

	Office for Digital Government		Government Services		Public Sector Performance	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses						
Employee benefits	3 921	10 644	78 369	70 783	7 666	8 691
Supplies and services	999	47 006	68 201	38 107	3 517	3 041
Grants and subsidies	77	140	180	-	3	-
Depreciation and amortisation	45	5 376	6 993	1 334	180	176
Net loss from the disposal of non-current assets	-	510	36	18	-	-
Other expenses	3	424	144	63	8	36
Total expenses	5 045	64 100	153 923	110 305	11 374	11 944
Income						
Fees and charges	188	57 779	172 102	129 341	4 095	4 551
Commonwealth revenues	-	-	-	-	-	-
Grants	45	-	104	95	886	737
Interest	-	-	-	-	-	-
Resources received free of charge	-	-	101	-	-	-
Recoveries from administered items	-	-	-	-	-	-
Other income	23	46	43	2	229	379
Total income	256	57 825	172 350	129 438	5 210	5 667
Net cost of providing services	4 789	6 275	(18 427)	(19 133)	6 164	6 277
Revenues from / payments to SA Government						
Revenues from SA Government	-	1 685	-	4 906	-	-
Payments to SA Government	-	-	-	-	-	-
Net revenues from SA Government	-	1 685	-	4 906	-	-
Net result	(4 789)	(4 590)	18 427	24 039	(6 164)	(6 277)

Department of the Premier and Cabinet
Disaggregated Disclosures Expenses and Income
for the year ended 30 June 2017

	Office of the Economic Development Board		Mineral Resources and Energy		Water Industry Technical and Safety Regulation	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses						
Employee benefits	504	-	7 721	-	2 442	-
Supplies and services	246	-	5 284	-	4 369	-
Grants and subsidies	14	-	32 264	-	4 229	-
Depreciation and amortisation	-	-	211	-	239	-
Net loss from the disposal of non-current assets	-	-	-	-	-	-
Other expenses	-	-	42	-	25	-
Total expenses	764	-	45 522	-	11 304	-
Income						
Fees and charges	-	-	6 133	-	3 608	-
Commonwealth revenues	-	-	-	-	81	-
Grants	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Resources received free of charge	-	-	-	-	-	-
Recoveries from administered items	-	-	-	-	-	-
Other income	-	-	1 292	-	605	-
Total income	-	-	7 425	-	4 294	-
Net cost of providing services	764	-	38 097	-	7 010	-
Revenues from / payments to SA Government						
Revenues from SA Government	-	-	67 685	-	-	-
Payments to SA Government	-	-	-	-	-	-
Net revenues from SA Government	-	-	67 685	-	-	-
Net result	(764)	-	29 588	-	(7 010)	-

Department of the Premier and Cabinet
Disaggregated Disclosures Expenses and Income
for the year ended 30 June 2017

	General/Not attributable		Total	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Expenses				
Employee benefits	-	(2)	147 649	138 702
Supplies and services	(3 884)	(5 411)	123 890	114 890
Grants and subsidies	-	-	42 190	6 971
Depreciation and amortisation	-	-	8 364	8 104
Net loss from the disposal of non-current assets	-	-	120	690
Other expenses	-	(38)	1 045	1 289
Total expenses	(3 884)	(5 451)	323 258	270 646
Income				
Fees and charges	(3 884)	(5 110)	188 975	193 563
Commonwealth revenues	-	-	211	238
Grants	-	-	1 035	842
Interest	-	-	2	1
Resources received free of charge	-	-	101	-
Recoveries from administered items	-	-	1 079	1 500
Other income	-	(341)	2 989	1 021
Total income	(3 884)	(5 451)	194 392	197 165
Net cost of providing services	-	-	128 866	73 481
Revenues from / payments to SA Government				
Revenues from SA Government	-	-	153 029	79 128
Payments to SA Government	-	-	(4 836)	(2 299)
Net revenues from SA Government	-	-	148 193	76 829
Net result	-	-	19 327	3 348

Department of the Premier and Cabinet
Disaggregated Disclosures Assets and Liabilities
as at 30 June 2017

	Support Services and Community Programs		Agent-General		Water Industry Technical and Safety Regulation	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets						
Cash and cash equivalents	64 468	66 456	413	1 930	-	-
Receivables	28 976	22 360	4	40	1 791	-
Inventories	235	78	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-	-	-
Property, plant and equipment	24 686	26 338	505	514	4 813	-
Works of art	-	-	-	27	-	-
Intangible assets	7 722	5 845	-	-	960	-
Total assets	126 087	121 077	922	2 511	7 564	-
Liabilities						
Payables	25 724	18 703	86	93	38	-
Employee benefits	47 758	47 057	36	57	-	-
Provisions	1 440	2 783	-	-	-	-
Other liabilities	883	1 265	-	-	42	-
Total liabilities	75 805	69 808	122	150	80	-

	Mineral Resources and Energy		General/Not attributable		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets						
Cash and cash equivalents	62 377	-	-	-	127 258	68 386
Receivables	2 889	-	(523)	(545)	33 137	21 855
Inventories	-	-	-	-	235	78
Non-current assets classified as held for sale	372	-	-	-	372	-
Property, plant and equipment	37 521	-	-	-	67 525	26 852
Works of art	84	-	-	-	84	27
Intangible assets	1 692	-	-	-	10 374	5 845
Total assets	104 935	-	(523)	(545)	238 985	123 043
Liabilities						
Payables	33 766	-	(531)	(545)	59 083	18 251
Employee benefits	12 531	-	-	-	60 325	47 114
Provisions	2 817	-	-	-	4 257	2 783
Other liabilities	8 113	-	-	-	9 038	1 265
Total liabilities	57 227	-	(531)	(545)	132 703	69 413

Department of the Premier and Cabinet

Notes to and forming part of the Financial Statements

1 Objectives of the Department of the Premier and Cabinet

The Department of the Premier and Cabinet (the department) delivers specialist policy advice to the Premier and Ministers and supports the Cabinet process. It also has overarching responsibility for Commonwealth-State relations and drives the Premier's Council of Australian Governments (COAG) agenda. The department leads the implementation of South Australia's strategic priorities and policy commitments in the areas of economic and social development, international relationships and strengthening engagement between government and the community.

The department provides direction and leadership to the South Australian public sector and drives key government initiatives to benefit other government agencies and the community. These include the provision of shared corporate and business services across government, management of the government's information communication technology strategy and innovation, digital technology strategies and infrastructure, and delivery of government information, services and transactions through the Service SA network.

The department supports South Australia's economic transformation by driving the continuing high-growth and high-value sector of minerals and resources, and unlocking the full potential of the state's resources, energy and renewable assets.

2 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.

(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) revenue, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature;
 - b) expenses incurred as a result of engaging consultants;
 - c) employee 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 financial statements have been prepared based on a 12 month period and presented in Australian currency.

Department of the Premier and Cabinet

Notes to and forming part of the Financial Statements

The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

(c) 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 encompass all the controlled activities of the department (refer to the disaggregated schedule for details of the department's controlled activities).

The department does not control any other entity and has no interests in unconsolidated structured entities.

Transactions and balances relating to administered resources are not recognised as departmental income, expense, assets and liabilities. As administered items are significant in relation to the department's overall financial performance and position, they are disclosed in the administered financial statements attached to the general purpose financial statements.

Except as otherwise disclosed, administered items are recognised on the same basis and using the same accounting policies as for the departmental items.

(d) Transferred functions

The *Public Sector (Nuclear Fuel Cycle Royal Commission Consultation and Response Agency) Proclamation 2016* (dated 2 June 2016) declared an attached office of the department would be established for the Nuclear Fuel Cycle Royal Commission Consultation and Response Agency. This resulted in some employees transferring from the department to the new attached office effective 1 July 2016 (refer note 27).

The *Public Sector (Reorganisation of Public Sector Operations) Notice 2017*, (dated 28 March 2017) declared that all employees employed in the business units known as the Mineral Resources Division, the Energy Resources Division, the Energy Markets and Programs Division, the Resources Infrastructure and Investment Task Force (with the exception of the Case Management Function), the Strategy and Governance Unit and the Office of the Economic Development Board within the Department of State Development would transfer to the department effective 1 April 2017 (refer note 27).

(e) 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.

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

(f) Rounding

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

(g) Taxation

The department is not subject to income tax. The department is liable for payroll tax, fringe benefits tax, goods and services tax, emergency services levy, land tax equivalents and local government rate equivalents.

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

- the amount of GST incurred by the department as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- 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 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.

Department of the Premier and Cabinet

Notes to and forming part of the Financial Statements

The department prepares a business activity statement on behalf of clients to which it provides business services, under the grouping provisions of the GST legislation. Under the grouping provisions, the department is liable for the GST payments and entitled to the GST receipts associated with these entities and items. The GST applicable forms part of the receivables and payables recorded in the department's Statement of Financial Position and the GST cash flows recorded in the Statement of Cash Flows.

(h) 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 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 event relates to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

(i) Current and non-current classification

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

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

(j) Non-current assets

Acquisition and recognition

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

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

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

All non-current tangible assets with a value equal to or in excess of \$10 000 are capitalised.

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

Depreciation and amortisation of non-current assets

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

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.

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

Department of the Premier and Cabinet

Notes to and forming part of the Financial Statements

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

<i>Class of asset</i>	<i>Useful Life (years)</i>
Buildings and Improvements	5-100
Transportable accommodation	10-20
Furniture and fittings	5-10
Plant and equipment	3-20
Office equipment	3-30
IT equipment	3-10
PABX equipment	3-7
Transmission equipment	5-40
StateNet core	5
Motor vehicles	4
Core libraries	20-60
Intangibles – Computer software	1-15

Works of Art controlled by the department are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised for this class of asset.

Revaluation of non-current assets

All non-current tangible assets are valued at fair value and revaluation of non-current assets or groups of assets is performed when their 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, artwork and plant and equipment via an independent Certified Practising Valuer. If at any time management considers that the carrying amount of the asset materially differs from the fair value, then the asset will be revalued regardless of when the last valuation took place.

Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

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.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition in the financial records, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

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

All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed. Subsequent expenditure on intangible assets has not been capitalised.

Department of the Premier and Cabinet

Notes to and forming part of the Financial Statements

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 department classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used 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.

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

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

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

Refer to Notes 20, 21 and 22 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

(k) Liabilities

Leases

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

Operating leases

The department has entered into a number of operating lease agreements for buildings, motor vehicles and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

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

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

Department of the Premier and Cabinet

Notes to and forming part of the Financial Statements

Employee benefits

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

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

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

The annual leave liability, and the skills and experience retention leave liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid.

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

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience.

(I) 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 (ATO). If GST is not payable to, or recoverable from, the ATO the commitments and contingencies are disclosed on a gross basis.

3 Hedging arrangements

In accordance with government policy, the department enters into hedges for all contracted expenditure in a foreign currency over AUD \$250 000. The South Australian Government Financing Authority (SAFA) manages the foreign currency hedges on the department's behalf.

Department of the Premier and Cabinet

Notes to and forming part of the Financial Statements

4 New and revised Accounting Standards

The Department did not voluntarily change any of its accounting policies during 2016-17.

Accounting Standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the department for the period ending 30 June 2017.

AASB 16 *Leases* will apply for the first time for the year to reporting periods beginning on or after 1 January 2019. The amended standard introduces a single accounting model for lessees, eliminating the distinction between operating and finance leases.

The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease payments will no longer be expensed in the Statement of Comprehensive Income on a straight line basis. Rather, they will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will be recognised as an expense.

It is anticipated that there will be a marginal impact on net result due to recognition of depreciation and interest on lease liabilities as expenses.

The classification of cash flows will be affected as operating lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively. Currently, operating lease payments are presented as operating cash flows and recorded as commitments, which are not captured in the Statement of Financial Position.

The department has not yet quantified the impact of applying AASB 16 *Leases* to its operating lease arrangements and the resulting impact on the Statement of Comprehensive Income, the Statement of Financial Position and the Commitments disclosure in the Notes to the Financial Statements.

AASB 15 *Revenue from Contracts with Customers* will replace the existing AASB 118 *Revenue* and applies to reporting periods beginning on or after 1 January 2019. AASB 15 *Revenue from Contracts with Customers* introduces a five step process for revenue recognition with the core principle being to recognise revenue 'when control of a good or service transfers to a customer'. This is effectively when performance obligations have been met, rather than the former model of 'where the risk and rewards of ownership reside'. AASB 15 *Revenue from Contracts with Customers* will generally result in increased disclosures.

The changes in revenue recognition requirements may result in changes to the timing and amount of revenue from sales of the department's goods and services. Some revenue may need to be deferred to a later reporting period to the extent that the department has received cash but has not yet met the associated performance obligations.

AASB 1058 *Income of Not-for-Profit Entities* will replace a number of income recognition requirements under AASB 1004 *Contributions* and applies to reporting periods beginning on or after 1 January 2019. The timing of income recognition depends on whether a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity. Where there is no liability to be recognised under another standard, or the liability is less than the fair value of the asset received then revenue is recognised.

The department has not yet quantified the impact of applying AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* and the resulting impact on the statement of comprehensive income.

Department of the Premier and Cabinet

Notes to and forming part of the Financial Statements

5 Activities of the Department

The department has identified thirteen major classes of activities that it delivers to the community and the Premier. The identity and description of each major activity class for the department during the year ended 30 June 2017 are summarised below (refer to the department's Disaggregated Disclosures).

Activity 1 – Premier and Cabinet Policy and Support

Coordination and leadership of cross-government policy on behalf of the Premier and Cabinet; leadership of the strategic economic and policy priorities of the state; support to the Premier intergovernmental relations; leadership and coordination of the government's international engagement and protocol functions; economic analysis to support the state budget and economic policy reforms; and support to Cabinet and Cabinet committees.

Activity 2 – Strategic Engagement and Communications

Provision of whole of government leadership in marketing and communications, including the monitoring of advertising expenditure and leadership of whole of government marketing campaigns. Provision of support for high-quality engagement with specific sectors and the community at large, including through best practice community engagement advice and management of engagement tools.

Activity 3 – Agent-General

The Agent-General's Office represents the Premier and Government of South Australia in the United Kingdom and Europe to advance the state's development objectives as expressed in South Australia's Strategic Plan. The office aims to increase awareness of Adelaide and drive preference for all the state has to offer, principally as a destination for foreign investment, migrants, students, tourists and as a producer of premium food and wine.

Activity 4 – State Coordinator-General

Assists proponents with eligible private projects over \$3 million to unlock red tape and delays across all levels of government to stimulate investment and jobs growth. Administers the government's assessment of unsolicited proposals from the private and community sector.

Activity 5 – Support Services and Community Programs

Ministerial and support services and the management and monitoring of corporately administered grant programs. The program also delivers corporate services to the Department of Treasury and Finance.

Activity 6 – Government Publishing

Production and distribution of government and parliamentary publications. For 2016-17 this activity has been incorporated with Activity 8 Government Services, however this activity has been included for the purpose of reporting comparative figures.

Activity 7 – Office for Digital Government

Progressing the government's digital transformation of services delivered to South Australian citizens, by developing best practice policy, strategy and resources, securing ICT resilience and leading projects that foster collaboration between the public and private sectors.

Activity 8 – Government Services

Provision of a comprehensive range of services to various government agencies and the community.

Activity 9 – Public Sector Performance

The Office for the Public Sector undertakes statutory responsibilities under the *Public Sector Act 2009* and South Australian public sector leadership development, sector-wide reform and renewal, workforce data analysis and strategy development, enterprise bargaining and industrial relations, workers compensation performance and injury management services.

Activity 10 – Office of the Economic Development Board

Supports the Economic Development Board by providing a secretariat function as well as oversight and management of its assigned budget, including procurement and contracting management functions. This activity was transferred from the Department of State Development effective 1 April 2017.

Department of the Premier and Cabinet

Notes to and forming part of the Financial Statements

Activity 11 – Mineral Resources and Energy

Provision of services 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. This activity was transferred from the Department of State Development effective 1 April 2017.

Activity 12 – Water Industry Technical and Safety Regulation

Supports the enforcement, compliance and promotion of technical and safety regulation of plumbing and equipment, and water industry entities. This activity was transferred from the Department of State Development effective 1 April 2017.

Activity 13 – General / Not Attributable

General / not attributable reflects internal transactions undertaken within the department.

Department of the Premier and Cabinet
Notes to and forming part of the Financial Statements

6 Employee benefits

	2017	2016
	\$'000	\$'000
Salaries and wages	109 447	100 867
Long service leave	3 828	4 530
Annual leave	10 688	9 050
Skills and experience retention leave	590	482
Employment on-costs - superannuation*	14 224	13 310
Employment on-costs - other	6 616	6 367
Targeted voluntary separation payments (refer below)	1 421	1 038
Board and committee fees	325	86
Other employee related expenses	510	2 972
Total employee benefits	147 649	138 702

* The superannuation employment on-cost charge represents the department's contributions to superannuation plans in respect of current services of current employees.

Targeted voluntary separation packages (TVSPs)

	2017	2016
	\$'000	\$'000
Amounts paid during the reporting period to separated staff:		
TVSPs	1 421	1 038
Annual leave, LSL and skills and experience retention leave, and long service leave paid during the reporting period	886	768
Net cost to the department	2 307	1 806

Number of employees who received a TVSP during the reporting period	18	13
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Remuneration of employees

This table includes all employees who received normal remuneration equal to or greater than the base executive remuneration level during the year. The executive base level remuneration has changed from \$145 000 (2016) to \$147 000 (2017).

Normal remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, leave paid on termination, superannuation contributions, salary sacrifice and fringe benefits, and any Fringe Benefits Tax paid or payable in respect of those benefits. Contract termination payments are included where employee normal remuneration exceeds \$147 000.

Department of the Premier and Cabinet
Notes to and forming part of the Financial Statements

The total remuneration received by employees for the year, listed in the table below, was \$11.4 million (\$13.4 million).

The number of employees, who received remuneration of \$147 000 or more during the year, falls within the following bands:

	2017 Number	2016 Number
\$145 000 - \$147 000*	n/a	2
\$147 001 - \$157 000	5	7
\$157 001 - \$167 000	5	2
\$167 001 - \$177 000	3	4
\$177 001 - \$187 000	4	4
\$187 001 - \$197 000	1	4
\$197 001 - \$207 000	5	5
\$207 001 - \$217 000	4	6
\$217 001 - \$227 000	1	1
\$227 001 - \$237 000	4	5
\$237 001 - \$247 000	4	2
\$247 001 - \$257 000	2	1
\$257 001 - \$267 000	1	1
\$277 001 - \$287 000	3	1
\$317 000 - \$327 000	-	1
\$327 001 - \$337 000	-	1
\$337 001 - \$347 000	-	1
\$347 001 - \$357 000	1	-
\$357 001 - \$367 000	1	2
\$367 001 - \$377 000	2	1
\$387 001 - \$397 000**	2	-
\$527 001 - \$537 000	1	1
\$577 001 - \$587 000	-	1
\$697 001 - \$707 000	-	1
\$727 001 - \$737 000	-	1
Total number of employees	49	55

*This band has been included for the purpose of reporting comparative figures based on the executive base level remuneration rate for 2015-16.

**The table above includes the TVSP component paid where the employee meets the \$147 000 threshold on normal remuneration.

The above table does not include any remuneration for employees who transferred into the department on 1 April 2017, as the remuneration received for the period 1 April 2017 to 30 June 2017 did not reach the \$147,000 total. If they had been employed by the department for the whole year, the number of employees included in this table would have increased by an additional 48 to 97.

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7 Supplies and services

	2017	2016
	\$'000	\$'000
Accommodation	18 386	17 206
Telecommunication	5 765	5 982
Staff development and recruitment	2 468	2 362
General administration and consumables	11 088	10 109
Promotion and marketing	7 224	3 553
Sponsorships and external contributions	749	846
Repairs, maintenance and minor equipment purchases	2 101	1 102
IT and computing charges	27 102	30 475
Microsoft licence and support	1 462	16 545
Managed network services	4 931	5 001
Outsourced contracts	2 901	2 269
Contractors	7 695	1 975
Temporary staff	12 451	12 320
Consultants	5 338	1 844
Cost of goods sold	8	219
Projects	191	254
Intra government transfers	6 628	1 302
Other supplies and services	5 185	1 526
Energy supply fuel and lubricants	1 917	-
RAES Aboriginal Communities infrastructure	300	-
Total supplies and services	123 890	114 890

Payments to consultants

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

	2017	2016	2017	2016
	Number	Number	\$'000	\$'000
Below \$10 000	26	23	103	121
Above \$10 000	56	29	5 235	1 723
Total consultants	82	52	5 338	1 844

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8 Grants and Subsidies

	2017	2016
	\$'000	\$'000
Grants and subsidies	42 190	6 971
Total grants and subsidies	42 190	6 971

Grants and subsidies consists of the following

PACE Gas	23 775	-
Oz Minerals	3 000	-
PACE Copper	2 772	-
Energy productivity program	2 192	-
Remote Area Energy Supplies Scheme	1 200	-
Mining and Petroleum Services Centre of Excellence	1 036	-
PACE 2020	300	-
Brand South Australia	1 370	1 500
South Australian Health and Medical Research Institute	1 000	-
Special appeals and minor grants	816	743
National campaign to reduce violence against women	-	1 114
Premier's community initiatives	15	165
Community advocacy campaign	257	500
Premier's discretionary grants	201	-
Other resources and energy grants	2 232	-
Other grants and subsidies	2 024	2 949
Total grants and subsidies	42 190	6 971

9 Depreciation and amortisation

	2017	2016
	\$'000	\$'000
Buildings and improvements	1 491	1 210
Plant and equipment	4 807	5 102
Intangibles assets	2 066	1 792
Total depreciation and amortisation	8 364	8 104

10 Other expenses

	2017	2016
	\$'000	\$'000
Doubtful debts (note 18)	47	20
Derecognition of assets	69	425
Other	929	844
Total other expenses	1 045	1 289

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the PFAA were \$595 000 (\$551 000). No other services were provided by the Auditor-General's Department.

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11 Fees and charges

	2017	2016
	\$'000	\$'000
Shared Services SA	89 337	89 872
Service SA	34 350	33 043
Regulatory fees	7	6
Fees for services	28 921	30 360
Microsoft licence and support	-	15 686
Service provision	17 200	15 972
Industry license fees	2 428	-
Sale of goods	1 594	1 684
Mining and petroleum application fees rentals and licences	6 133	-
Sale of electricity - remote areas	1 120	-
Other	7 885	6 940
Total fees and charges	188 975	193 563

Income from fees and charges is derived from goods and services provided to other SA Government agencies and to the public. From 1 April 2017 fees and charges also include mining and petroleum application fees. The revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

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.

12 Grants

	2017	2016
	\$'000	\$'000
Recurrent grant	1 035	842
Total grant income	1 035	842

Grants are recognised as income when the department obtains control of the income or when the agreement or contract has been approved and executed or income received. Grants received by the department with unconditional stipulations attached have been recognised as an asset and income upon receipt.

13 Resources received free of charge

	2017	2016
	\$'000	\$'000
Donated assets	101	-
Total resources received free of charge	101	-

Resources received free of charge relate to air conditioning units donated to the department from the Department of Energy, Water, and Natural Resources.

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14 Net gain/(loss) from the disposal of non-current assets

	2017 \$'000	2016 \$'000
Buildings and improvements		
Proceeds from disposal	-	-
Net book value of assets disposed	(57)	(146)
Net (loss) from disposal of buildings and improvements	(57)	(146)
Plant and equipment		
Proceeds from disposal	-	-
Net book value of assets disposed	(1)	(91)
Net (loss) from disposal of plant and equipment	(1)	(91)
ICT infrastructure		
Proceeds from disposal	-	-
Net book value of assets disposed	(31)	(166)
Net (loss) from disposal of ICT infrastructure	(31)	(166)
Intangible assets		
Proceeds from disposal	-	-
Net book value of assets disposed	(4)	(287)
Net gain/(loss) from disposal of intangible assets	(4)	(287)
Works of art		
Proceeds from disposal	-	-
Net book value of assets disposed	(27)	-
Net gain/(loss) from disposal of works of art	(27)	-
Total assets		
Proceeds from disposal	-	-
Net book value of assets disposed	(120)	(690)
Total net gain/(loss) from disposal of non-current assets	(120)	(690)

Gains/losses on disposal of non-current assets are recognised at the date control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

15 Other Income

	2017 \$'000	2016 \$'000
Refunds	110	140
Sponsorship	18	40
Pre-tax employee contributions	440	439
Fuel tax credits	612	-
Other recoveries	805	-
Transfers from Extractive Areas Rehabilitation Fund	446	-
Other	558	402
Total other income	2 989	1 021

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16 Revenues from / payments to SA Government

	2017 \$'000	2016 \$'000
Revenues from SA Government		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	146 039	75 551
Transfers from contingency provisions	6 990	3 577
Total revenues from SA Government	153 029	79 128
Payments to SA Government		
Return of surplus cash pursuant to cash alignment policy	4 836	2 299
Total payments to SA Government	4 836	2 299

Appropriations 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. Refer to the Statement of Changes in Equity.

The original amount appropriated under the Annual *Appropriation Act* was not varied in 2016-17.

There was no material variations between the amounts appropriated and the expenditure associated with this appropriation.

17 Cash and cash equivalents

	2017 \$'000	2016 \$'000
Deposits with the Treasurer	123 721	63 329
Other short-term deposits	3 537	5 057
Total cash and cash equivalents	127 258	68 386

Cash is measured at nominal amounts.

Deposits with the Treasurer

The department has two deposit accounts with the Treasurer, a general operating account and an Accrual Appropriation Excess Funds Account, \$8.753 million (\$10.104 million). Although the department controls the money in the Accrual Appropriation Account its use must be approved by the Treasurer. The department does not earn interest on its deposits with the Treasurer.

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18 Receivables

	2017 \$'000	2016 \$'000
Current		
Receivables	28 723	16 458
Less: allowance for doubtful debts	(137)	-
Prepayments	2 747	2 748
Accrued income	428	1 136
GST receivable	906	-
Total current receivables	32 667	20 342
Non-current		
Receivables	21	31
Prepayments	49	1 482
Loans	400	-
Total non-current receivables	470	1 513
Total receivables	33 137	21 855

Interest rate and credit risk

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue on an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued income are non-interest bearing.

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

Refer to note 34 for further information on risk management.

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 for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in the allowance for doubtful debts are as follows:

	2017 \$'000	2016 \$'000
Carrying amount at the beginning of the period	-	-
Increase in allowance	145	20
Amounts written off	(8)	(20)
Carrying amount at the end of the period	137	-

19 Non-current assets classified as held for sale

	2017 \$'000	2016 \$'000
Land and buildings	372	-
Total non-current assets held for sale	372	-

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20 Property, plant and equipment

	2017 \$'000	2016 \$'000
Land, buildings and improvements		
Land (at fair value)	6 078	-
Buildings & improvements (at fair value)	51 756	30 741
Accumulated depreciation	(17 574)	(24 080)
Total land, buildings and improvements	40 260	6 661
Plant and equipment		
Plant and equipment at cost (deemed fair value)	67 622	58 458
Accumulated depreciation	(43 568)	(40 699)
Total plant and equipment	24 054	17 759
Work in progress		
Work in progress at cost	3 211	2 432
Total work in progress	3 211	2 432
Total property, plant and equipment	67 525	26 852
Works of art		
Works of art (at fair value)	84	27
Total works of art	84	27

Reconciliation of Property, plant and equipment for 2016-17

	Land buildings and improvements	Plant and equipment	Work in progress	Works of art	Total tangible assets
2017	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the start of period	6 661	17 759	2 432	27	26 879
Acquisitions	-	395	4 495	-	4 890
Transfers to (from) WIP	1 719	2 758	(4 477)	-	-
Disposals	(57)	(32)	-	(27)	(116)
Depreciation and amortisation	(1 491)	(4 807)	-	-	(6 298)
Transfers in/(out) as a result of administrative restructure	33 428	7 880	756	84	42 148
Other changes	-	101	5	-	106
Book value at 30 June 2017	40 260	24 054	3 211	84	67 609

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Reconciliation of Property, plant and equipment for 2015-16

	Land buildings and improvements	Plant and equipment	Work in progress	Works of art	Total tangible assets
2016	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the start of period	8 723	20 055	2 788	27	31 593
Acquisitions	-	665	4 090	-	4 755
Transfers to (from) WIP	1 571	2 474	(4 045)	-	-
Disposals	(1 146)	(257)	-	-	(403)
Depreciation and amortisation	(1 210)	(5 102)	-	-	(6 312)
Transfers out as a result of administrative restructure	(2 277)	(76)	-	-	(2 353)
Other changes	-	-	(401)	-	(401)
Book value at 30 June 2016	6 661	17 759	2 432	27	26 879

Valuations of land and buildings

An independent valuation of the land and buildings was conducted as at 30 June 2014 by Valcorp Australia Pty Ltd. The valuation of land and buildings at 30 June 2014 was prepared on a fair value basis in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*.

Fair value of unrestricted land was determined using a market approach. The valuation was based on recent market transactions for similar land in the area and includes adjustments for factors specific to the land such as size and location. Fair value of land classified as restricted in use was determined using an adjusted market price of surrounding unrestricted land.

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

All other non-current assets controlled by the department have been deemed to be held at fair value.

Impairment

There were no indications of impairment of property, plant and equipment assets at 30 June 2017.

21 Intangible Assets

	2017 \$'000	2016 \$'000
Intangibles		
Computer software	10 328	7 926
Accumulated amortisation	(8 781)	(7 467)
Other intangibles	7 679	7 797
Accumulated amortisation	(3 323)	(3 295)
Total intangibles	5 903	4 961
Work in progress		
Work in progress at cost	4 471	884
Total work in progress	4 471	884
Total intangibles	10 374	5 845

Impairment

There were no indications of impairment of intangible assets at 30 June 2017.

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Reconciliation of intangible assets for 2017

	Computer Software	Other intangibles	WIP Intangibles	Total intangible assets
	\$'000	\$'000	\$'000	\$'000
2017				
Carrying amount at the start of period	459	4 502	884	5 845
Acquisitions	1 270	-	2 919	4 189
Transfers to (from) WIP	1 133	561	(1 694)	-
Disposals	-	(4)	-	(4)
Depreciation and amortisation	(1 328)	(738)	-	(2 066)
Transfers in as a result of administrative restructure	13	35	2 456	2 504
Other changes	-	-	(94)	(94)
Book value at 30 June 2017	1 547	4 356	4 471	10 374

Reconciliation of intangible assets for 2016

	Computer Software	Other intangibles	WIP Intangibles	Total intangible assets
				\$'000
2016				
Carrying amount at the start of period	1 116	3 460	1 761	6 337
Acquisitions	-	-	1 788	1 788
Assets reclassified to assets held for sale	-	-	-	-
Transfers to (from) WIP	513	2 011	(2 524)	-
Disposals	(27)	(260)	-	(287)
Revaluation increment/(decrement)	-	-	-	-
Depreciation and amortisation	(1 137)	(655)	-	(1 792)
Transfers in/(out) as a result of administrative restructure	-	-	-	-
Transfers out as a result of administrative restructure	(6)	(54)	(23)	(83)
Other changes	-	-	(118)	(118)
Book value at 30 June 2016	459	4 502	884	5 845

22 Fair value measurement

Fair Value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement 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 as at 30 June 2017:

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Fair value measurements at 30 June 2017

	Fair value	Level 2	Level 3
	\$'000	\$'000	\$'000
Recurring fair value measurements			
Land (note 20)	6 078	6 078	-
Buildings (note 20)	28 678	178	28 500
Leasehold improvements (note 20)	5 504	-	5 504
Plant and equipment (note 20)	24 054	-	24 054
Works of art (note 20)	84	-	84
Total recurring fair value measurements	64 398	6 256	58 142
Non-recurring fair value measurements			
Land held for sale (note 19)	156	156	-
Buildings held for sale (note 19)	216	216	-
Total non-recurring fair value measurements	372	372	-
Total	64 770	6 628	58 142

Fair value measurements at 30 June 2016

	Fair value	Level 2	Level 3
	\$'000	\$'000	\$'000
Recurring fair value measurements			
Buildings (note 20)	2 234	-	2 234
Leasehold improvements (note 20)	4 427	-	4 427
Plant and equipment (note 20)	17 759	-	17 759
Works of art (note 20)	27	27	-
Total recurring fair value measurements	24 447	27	24 420
Non-recurring fair value measurements			
Land held for sale (note 19)	-	-	-
Buildings held for sale (note 19)	-	-	-
Total non-recurring fair value measurements	-	-	-
Total	24 447	27	24 420

The department had no valuations categorised into level 1.

There were no transfers of assets between level 1 and level 2 fair value hierarchy levels during the financial year. The department's policy is to recognise transfers into and out of fair value hierarchy levels as at end of the reporting period.

Valuation techniques and inputs

Valuation techniques used to derive levels 2 and 3 fair values are at Note 19 and below. There were no changes in valuation techniques during the financial year.

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

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Reconciliation of Level 3 recurring fair value measurements at 30 June 2017

	Buildings	Leasehold improvements	Plant and equipment	Works of Art	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2017					
Opening balance at the beginning of the period	2 234	4 427	17 759	-	24 420
Additions	-	-	395	-	395
Capitalised subsequent expenditure	-	1 719	2 758	-	4 477
Disposals & adjustments	-	(57)	(32)	-	(89)
Resources received free of charge	-	-	101	-	101
Acquisitions through administrative restructures	26 577	591	7 880	84	35 132
Total movement recognised in statement of financial position	28 811	6 680	28 861	84	64 436
Gains/(losses) for the period recognised in net result:					
Depreciation	(311)	(1 176)	(4 807)	-	(6 294)
Total losses recognised in net result	(311)	(1 176)	(4 807)	-	(6 294)
Carrying amount at 30 June	28 500	5 504	24 054	84	58 142

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

	Buildings	Leasehold improvements	Plant and equipment	Works of Art	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2016					
Opening balance at the beginning of the period	2 393	6 330	20 055	-	28 778
Additions	-	-	665	-	665
Capitalised subsequent expenditure	69	1 502	2 474	-	4 045
Disposals & adjustments	(20)	(126)	(257)	-	(403)
Acquisitions through administrative restructures	-	(2 277)	(76)	-	(2 353)
Total movement recognised in statement of financial position	2 442	5 429	22 861	-	30 732
Gains/(losses) for the period recognised in net result:					
Depreciation	(208)	(1 002)	(5 102)	-	(6 312)
Total losses recognised in net result	(208)	(1 002)	(5 102)	-	(6 312)
Carrying amount at 30 June	2 234	4 427	17 759	-	24 420

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23 Payables

	2017	2016
	\$'000	\$'000
Current		
Creditors	48 843	10 420
Accrued expenses	3 545	2 127
Employment on-costs [^]	3 075	2 617
Paid parental leave scheme	23	18
Net GST payable	-	508
Total current payables	55 486	15 690
Non-current		
Employment on-costs	3 597	2 561
Total non-current payables	3 597	2 561
Total payables	59 083	18 251

Creditors represent the amounts owing for goods and services received before 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 processed.

[^]Employment on-costs include payroll tax and superannuation contributions with respect to outstanding liabilities for salaries and wages, long service leave, skills and experience retention leave and annual leave. The department makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has remained unchanged from the 2016 rate of 40% and the average factor for the calculation of employer superannuation on-cost has changed from the 2016 rate of 10.2% to 10.1% as at 30 June 2017.

These rates are used in the employment on-cost calculation. The net financial effect of the change in the superannuation on-cost rate on employment on-costs and employee benefit expense is immaterial.

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.

Interest rate and credit risk

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owing but unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first 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 to the amounts being payable on demand.

Refer to note 34 for further information on risk management.

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24 Employee benefits

	2017 \$'000	2016 \$'000
Current		
Accrued salaries and wages	2 684	1 594
Annual leave	13 216	9 904
Long service leave	4 432	7 170
Skills and experience retention leave	1 042	707
Total current employee benefits	21 374	19 375
Non-current		
Long service leave	38 951	27 739
Total non-current employee benefits	38 951	27 739
Total employee benefits	60 325	47 114

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 increased in 2017 to 2.5% (2.0%), the resulting effect is immaterial.

The salary inflation rate remained unchanged at 4.0% for long service leave and 3.0% for annual leave and skills and experience retention leave. As a result there is no net financial effect resulting from the changes in salary inflation rate.

25 Provisions

	2017 \$'000	2016 \$'000
Current		
Provision for workers compensation	630	922
Total current provisions	630	922
Non-current		
Provision for workers compensation	3 627	1 861
Total non-current provisions	3 627	1 861
Total provisions	4 257	2 783
Carrying amount at the beginning of the period	2 783	2 424
Increase (decrease) in provision recognised	1 474	359
Carrying amount at the end of the period	4 257	2 783
Total carrying amount at the end of the period	4 257	2 783

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2017 provided by a consulting actuary engaged through the Office for the Public Sector (a division of the department). 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.

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26 Other liabilities

	2017 \$'000	2016 \$'000
Current		
Unearned income	2 530	5
Lease incentive	360	360
Security deposits - current	5 608	-
Total current other liabilities	8 498	365
Non-current		
Lease incentive	540	900
Total non-current other liabilities	540	900
Total other liabilities	9 038	1 265

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 as the department only has a claim on these funds if the mining operator fails to meet its legislative requirements. The security deposits transferred from the Department of State Development from 1 April 2017.

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.

27 Transferred Functions

2016-17 Transferred in/out

The *Public Sector (Nuclear Fuel Cycle Royal Commission Consultation and Response Agency) Proclamation 2016* (dated 2 June 2016) declared an attached office of the department would be established for the Nuclear Fuel Cycle Royal Commission Consultation and Response Agency. This resulted in some employees transferring from the department to the new attached office effective 1 July 2016.

The *Public Sector (Reorganisation of Public Sector Operations) Notice 2017* (dated 28 March 2017) declared that all employees employed in the business units known as the Mineral Resources Division, the Energy Resources Division, the Energy Markets and Programs Division, the Resources Infrastructure and Investment Task Force (with the exception of the Case Management Function), the Strategy and Governance Unit and the Office of the Economic Development Board within the Department of State Development would transfer to the department effective 1 April 2017.

Department of the Premier and Cabinet

Notes to and forming part of the Financial Statements

Total income and expenses attributable to the Office of the Economic Development Board 2016-17 were:

	Department of State Development July 2016 to March 2017	Department of Premier and Cabinet April 2017 to June 2017	Total
	\$'000	\$'000	\$'000
Income			
Other income	480	-	480
Total income	480	-	480
Expenses			
Employee benefits	1 108	504	1 612
Supplies and services	422	246	668
Grants and subsidies	15	14	29
Total expenses	1 545	764	2 309
Net result	(1 065)	(764)	(1 829)

Total income and expenses attributable to the Resources and Energy Group 2016-17 were:

	Department of State Development July 2016 to March 2017	Department of Premier and Cabinet April 2017 to June 2017	Total
	\$'000	\$'000	\$'000
Income			
Fees and charges	27 878	9 741	37 619
Commonwealth Revenues	28	81	109
Revenues from SA Government	-	67 685	67 685
Other income	2 565	1 897	4 462
Total income	30 471	79 404	109 875
Expenses			
Employee benefits	26 904	10 163	37 067
Supplies and services	19 721	9 653	29 374
Grants and subsidies	5 809	36 493	42 302
Depreciation and amortisation	1 700	450	2 150
Other expenses	906	67	973
Net loss from the disposal of non-current assets	24	-	24
Total expenses	55 064	56 826	111 890
Net result	(24 593)	22 578	(2 015)

Department of the Premier and Cabinet

Notes to and forming part of the Financial Statements

Assets and liabilities relating to the Nuclear Fuel Cycle Royal Commission Consultation and Response Agency transferred to the attached office effective 1 July 2016.

Assets and liabilities relating to the Office of the Economic Development Board were transferred from the Department of State Development effective 1 April 2017.

Assets and liabilities relating to the Resources and Energy Group were transferred from the Department of State Development effective 1 April 2017.

	Nuclear Fuel Cycle	Office of the Economic Development Board	Resources and Energy Group	Total
	\$'000	\$'000	\$'000	\$'000
Current assets				
Cash and cash equivalents	(227)	68	6 565	6 406
Receivables	-	-	4 430	4 430
Assets held for sale	-	-	372	372
Non-current assets				
Intangibles	-	-	2 504	2 504
Property, plant and equipment	-	-	42 148	42 148
Total assets	(227)	68	56 019	55 860
Current liabilities				
Payables	(11)	9	1 292	1 290
Employee benefits	(81)	59	3 073	3 051
Provisions	-	-	163	163
Other	-	-	6 468	6 468
Non-current liabilities				
Payables	(11)	6	729	724
Employee benefits	(124)	70	7 893	7 839
Provisions	-	-	2 963	2 963
Total liabilities	(227)	144	22 581	22 498
Net assets transferred in	-	(76)	33 438	33 362

2015-16 Transferred in/out

As a result of administrative arrangements outlined in the South Australian Government Gazette (the Government Gazette) No. 31 on 21 May 2015, the department relinquished responsibility for State Records SA and the Industry Participation Advocate. Assets and liabilities relating to State Records SA were transferred to the Attorney-General's Department effective 1 July 2015.

Assets and Liabilities relating to the Industry Participation Advocate were transferred to the Department of State Development effective 1 July 2015.

As a result of administrative arrangements outlined in the Chief Executive letter of agreement on 21 September 2015, the department relinquished responsibility for Capital City Committee, a business unit of the department. Assets and liabilities relating to the business unit were transferred to Renewal SA effective 1 July 2015.

Department of the Premier and Cabinet
Notes to and forming part of the Financial Statements

	State Records SA	Industry Participation Advocate	Capital City Committee	Total
	\$'000	\$'000	\$'000	\$'000
Current assets				
Cash and cash equivalents	-	-	124	124
Receivables	29	4	-	33
Inventories	7	-	-	7
Non-current assets				
Property, plant and equipment	2 277	159	-	2 436
Total assets	2 313	163	124	2 600
Current liabilities				
Payables	168	19	34	221
Employee benefits	383	138	34	555
Provisions	2	-	-	2
Other	13	-	-	13
Non-current liabilities				
Payables	52	17	5	74
Employee benefits	580	192	51	823
Provisions	4	1	-	5
Total liabilities	1 202	367	124	1 693
Net assets transferred out	1 111	(204)	-	907

28 Unrecognised contractual commitments

Operating lease commitments

The department as a lessee

Commitments in relation to operating leases contracted as at the reporting date which are not recognised as liabilities are payable as follows:

	2017	2016
	\$'000	\$'000
Within one year	14 297	11 452
Later than one year but not longer than five years	19 289	27 320
Later than five years	1 661	1 849
Total operating lease commitments	35 247	40 621
Representing:		
Non-cancellable operating leases	35 247	40 621
Total operating lease commitments	35 247	40 621

At the reporting date, the department's operating leases are for the lease of office accommodation and motor vehicles.

- Office accommodation is leased from the Building Management Accommodation and Building Services, a business unit of the Department of Planning, Transport and Infrastructure. The leases are non-cancellable with terms ranging from 1 to 15 years, with some leases having right of renewal. The rental amount is based on floor space and the time period of the lease, with the rental rate reviewed taking into account movements in market rental values or CPI. Rental is payable in advance.
- Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.

Department of the Premier and Cabinet

Notes to and forming part of the Financial Statements

For the current financial year, the total amount of rental expense for minimum lease payments for operating leases was \$14.6 million (\$13.5 million).

Capital commitments

	2017	2016
	\$'000	\$'000
Within one year	3 591	1 200
Later than one year but not longer than five years	558	717
Later than five years	-	80
Total capital commitments	4 149	1 997

Other commitments

	2017	2016
	\$'000	\$'000
Within one year	18 458	3 402
Later than one year but not longer than five years	31 753	1 357
Total other commitments	50 211	4 759

The department's other commitments mainly relate to service agreements for Resources and Energy, RAES independent operator subsidies, the Jobs 4 Youth Traineeship program, the provision of the whole of Government Workers Compensation & Incident Management Database and the audit and verification of the Safety and Injury Management System.

29 Contingent assets and liabilities

Contingent assets

South Australian Government Salary Sacrifice Agreement (Office of the Public Sector)

In 2012, the Government entered into a salary sacrificing agreement with Maxxia Pty Ltd. The agreement allows the Minister or his delegate to withdraw up to a total of \$10 million when an unconditional financial undertaking is present to fund any interim measures to avoid disruption to the salary sacrifice arrangements provided to employees. The financial undertaking is in place until 30 June 2024.

Mining and Petroleum

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 2017 is approximately \$143 million (\$125 million). The department only has a claim on these funds if the licensee fails to perform its legislative requirements.

Contingent liabilities

Glenthorne Farm (Commercial Advice)

Glenthorne Farm, at O'Halloran Hill, was purchased by the University of Adelaide from the Commonwealth Scientific and Industrial Research Organisation, with the assistance of a grant from the SA Government in May 2001. A contract signed by the SA Government and the University of Adelaide resulted in the former assuming liability for any possible third party claims resulting from any contamination which may be discovered on the property.

The South Australian and Commonwealth Governments agreed by exchange of letters that, in the event of such a claim, the state government reserves its right to seek a contribution from the Commonwealth based on the Commonwealth's previous ownership of the land.

Department of the Premier and Cabinet

Notes to and forming part of the Financial Statements

Mining practices and petroleum exploration

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.

30 Budgetary reporting and explanations of major variances

The following is a brief explanation of the major variance between original budget and actual amounts. Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.

		Original budget ¹ 2017 \$'000	Actual 2017 \$'000	Variance \$'000
Statement of Comprehensive Income				
Expenses				
Employee benefits		141 473	147 649	6,176
Supplies and services		123 610	123 890	280
Grants and subsidies	(a)	3 965	42 190	38,225
Depreciation and amortisation		8 796	8 364	(432)
Other expenses		1 107	1 045	(62)
Net loss from the disposal of non-current assets		-	120	120
Borrowing costs		12	-	(12)
Total expenses		278 963	323 258	44,295
Income				
Fees and charges	(b)	203 309	188 975	(14,334)
Commonwealth revenues		130	211	81
Grants		276	1 035	759
Interest		-	2	2
Resources received free of charge		-	101	101
Recoveries from administered items		-	1 079	1,079
Other income		180	2 989	2,809
Total income		203 895	194 392	(9 503)
Net cost of providing services		75 068	128 866	53,798
Revenues from / payments to SA Government				
Revenues from SA Government	(c)	78 456	153 029	74,573
Payments to SA Government		-	(4 836)	(4,836)
Net revenues from SA Government		78 456	148 193	69,737
Net result		3 388	19 327	15 939
Total comprehensive result		3 388	19 327	15 939

Department of the Premier and Cabinet

Notes to and forming part of the Financial Statements

¹The 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 (2016-17 Budget Paper - 4). These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements. However, these amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes.

- (a) Unfavourable variance is primarily due to the machinery of government changes for the Resources and Energy group (\$36.5 million), and due to contributions to the South Australian Health and Medical Research Institute (SAHMRI) Wellbeing and Resilience Centre (\$1.4 million).
- (b) Unfavourable variance is primarily due to the reduction in charges to agencies associated with Microsoft software licensing arrangements (\$18.2 million).
- (c) Favourable variance is primarily due to the machinery of government changes for the Resources and Energy Group (\$72.2 million).

	Note	Original budget ¹	Actual	Variance
		2017 \$'000	2017 \$'000	\$'000
Investing expenditure summary				
Total existing projects	(a)	6 914	4 257	(2,657)
Total annual program	(b)	4 280	2 427	(1,853)
Total investing expenditure		11 194	6 684	(4 510)

- (a) The variance mainly reflects delays associated with hosting facilities and other Central Data Network projects.
- (b) The variance mainly reflects lower than budgeted capital acquisitions.

31 Related party disclosures

The department is a government administrative unit and is wholly owned and controlled by the Crown.

Related parties of the department include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Collectively, but not individually significant transactions with government related entities.

Quantitative information about transactions and balances between the department and other SA Government controlled entities are disclosed at Note 33.

Key Management Personnel

Key management personnel of the department include the Premier, Ministers, the Chief Executive Officer, the Executive Team and the Commissioner for Public Employment, who have responsibility for the strategic direction and management of the department. The compensation detailed below excludes salaries and other benefits the Premier and Ministers receive. The Premier's and Ministers' remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

	2017 \$'000	2016 \$'000
Salaries and other short term employee benefits	2 170	n/a
Post-employment benefits	210	n/a
Other long-term employment benefits	-	n/a
Termination benefits	54	n/a
Total compensation	2 434	-

Department of the Premier and Cabinet
Notes to and forming part of the Financial Statements

Transactions with Key Management Personnel and other related parties

There were no transactions with related parties disclosed by key management personnel.

32 Cash flow reconciliation

	2017 \$'000	2016 \$'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	127 258	68 386
Balance as per the Statement of Cash Flows	127 258	68 386
Reconciliation of net cash provided by operating activities to net cost of providing services		
Net cash provided by operating activities	61 545	19 208
Less revenues from SA Government	(153 029)	(79 128)
Add payments to SA Government	4 836	2 299
Add/less non-cash Items		
Depreciation and amortisation	(8 364)	(8 104)
Resources received free of charge	101	-
Bad and doubtful debts expense	(47)	-
Net (loss)/gain on disposal of assets	(120)	(690)
Prior period adjustments	37	120
Derecognition of assets	(69)	-
Net transfers from administrative restructures	18 068	(1 653)
Other expenses	27	(445)
Movements in assets and liabilities		
Increase/(decrease) in receivables	11 282	(4 067)
Increase/(decrease) in inventories	157	(15)
(Increase) in payables	(40 832)	(175)
(Increase) in employee benefits	(13 211)	(840)
(Increase) in provisions	(1 474)	(359)
(Increase)/decrease in other liabilities	(7 773)	368
Net cost of providing services	(128 866)	(73 481)

Department of the Premier and Cabinet
Notes to and forming part of the Financial Statements

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

	Note	SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses							
Employee benefits	6	8 084	7 338	139 565	131 364	147 649	138 702
Supplies and services	7						
Accommodation		17 159	16 737	1 227	469	18 386	17 206
Telecommunication		380	1	5 385	5 981	5 765	5 982
Staff development and recruitment		295	460	2 173	1 902	2 468	2 362
General administration and consumables		1 933	2 155	9 155	7 954	11 088	10 109
Promotion and marketing		53	194	7 171	3 359	7 224	3 553
Sponsorships and external contributions		15	-	734	846	749	846
Repairs, maintenance and minor equipment purchases		791	564	1 310	538	2 101	1 102
IT and computing charges		427	1 920	26 675	28 555	27 102	30 475
Microsoft licence and support		-	-	1 462	16 545	1 462	16 545
Managed network services		-	-	4 931	5 001	4 931	5 001
Outsourced contracts		821	1	2 080	2 268	2 901	2 269
Contractors		30	-	7 665	1 975	7 695	1 975
Consultants		-	-	5 338	1 844	5 338	1 844
Temporary staff		2	-	12 449	12 320	12 451	12 320
Cost of goods sold		-	1	8	218	8	219
Projects		-	126	191	128	191	254
Intra government transfers		6 628	1 174	-	128	6 628	1 302
Other supplies and services		2 183	417	3 002	1 109	5 185	1 526
Energy supply fuel and lubricants		-	-	1 917	-	1 917	-
RAES Aboriginal Communities infrastructure		-	-	300	-	300	-
Grants and subsidies	8	903	893	41 287	6 078	42 190	6 971
Depreciation and amortisation	9	-	-	8 364	8 104	8 364	8 104
Other Expenses	10						
Doubtful debts		(20)	20	67	-	47	20
Derecognition of assets		-	-	69	425	69	425
Other		929	565	-	279	929	844
Net loss from the disposal of non-current assets	14	-	-	120	690	120	690
Payments to SA Government	16	4 836	2 299	-	-	4 836	2 299
Total expenses		45 449	34 865	282 645	238 080	328 094	272 945

Department of the Premier and Cabinet
Notes to and forming part of the Financial Statements

		SA Government		Non-SA Government		Total	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Income							
Fees and charges	11						
Shared Services SA		89 337	89 872	-	-	89 337	89 872
Service SA		34 350	33 043	-	-	34 350	33 043
Regulatory fees		-	-	7	6	7	6
Fees for services		27 250	29 309	1 671	1 051	28 921	30 360
Microsoft licence and support		-	15 686	-	-	-	15 686
Service provision		10 122	9 436	7 078	6 536	17 200	15 972
Industry license fees		2 428	-	-	-	2 428	-
Sale of goods		1 029	562	565	1 122	1 594	1 684
Mining and petroleum application fees rentals and licences		-	-	6 133	-	6 133	-
Sale of electricity - remote areas		-	-	1 120	-	1 120	-
Other		7 038	6 131	847	809	7 885	6 940
Commonwealth revenue		-	-	211	238	211	238
Grant income	12						
Recurrent grant		542	842	493	-	1 035	842
Resources received free of charge	13	101	-	-	-	101	-
Recoveries from administered items		1 079	1 500	-	-	1 079	1 500
Interest income		-	-	2	1	2	1
Other income	15	453	62	2 536	959	2 989	1 021
Revenues from SA Government	16	153 029	79 128	-	-	153 029	79 128
Total income		326 758	265 571	20 663	10 722	347 421	276 293
Financial assets							
Receivables	18						
Receivables		22 739	14 372	5 868	2 117	28 607	16 489
Prepayments		289	-	2 507	4 230	2 796	4 230
Accrued income		-	402	428	734	428	1 136
Loans		-	-	400	-	400	-
GST receivable		-	-	906	-	906	-
Total financial assets		23 028	14 774	10 109	7 081	33 137	21 855
Financial liabilities							
Payables	23						
Creditors		3 052	2 395	45 791	8 025	48 843	10 420
Accrued expenses		3 545	1 538	-	589	3 545	2 127
Employment on-costs^		3 100	2 469	3 572	2 709	6 672	5 178
Paid parental leave scheme		-	-	23	18	23	18
GST payable		-	-	-	508	-	508
Other liabilities	26						
Unearned income		(17)	4	2 547	1	2 530	5
Lease incentive		-	-	900	1 260	900	1 260
Security deposits		-	-	5 608	-	5 608	-
Total financial liabilities		9 680	6 406	58 441	13 110	68 121	19 516

Department of the Premier and Cabinet

Notes to and forming part of the Financial Statements

34 Financial Instruments

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*.

The department's exposure to financial risk (liquidity risk, credit risk and a market risk) is low due to the nature of the financial instruments. There have been no changes in risk exposure since the last reporting period.

Liquidity risk

The department is funded principally from appropriations by the SA Government. The department works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to note 23 for further information.

Credit and market 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.

No collateral is held as security and no credit enhancements relate to financial assets held by the department.

Refer to notes 17 and 18 for further information.

There have been no changes in risk exposure since the last reporting period.

Categorisation of financial instruments

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

The carrying amounts of each of the following categories of financial assets and liabilities: loan and receivables; and financial liabilities measured at cost are detailed below:

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

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short term nature of these (refer to notes 18, and 23).

Department of the Premier and Cabinet
Notes to and forming part of the Financial Statements

Category of financial asset and financial liability	Notes	2017 Carrying amount / Fair Value \$'000	2016 Carrying amount / Fair Value \$'000	2017 Contractual maturities		
				Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets						
Cash and cash equivalents	17	127 258	68 386	127 258	-	-
Receivables	18	28 594	16 462	28 594	-	-
Accrued income	18	413	1 105	413	-	-
Loan receivables	18	400	-	-	400	-
Total financial assets		156 665	85 953	156 265	400	-
Financial liabilities						
Creditors	23	51 226	11 088	51 226	-	-
Unearned income	26	1 118	5	1 118	-	-
Other financial liabilities	26	900	1 260	360	540	-
Total financial liabilities		53 244	12 353	52 704	540	-

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 disclosure. The accounting standards define contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).
2. Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 18 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

35 Remuneration of board and committee members

The department administers a number of boards and committees where members receive or are entitled to receive remuneration for their membership.

Members during the year that were entitled to receive remuneration for membership during the 2017 financial year were:

Remuneration Tribunal

Mr P Alexander
Mr J Lewin
Ms P Martin

Internal Audit and Risk Committee

Ms D Contala* (term expired 30 June 2017)
Mr M Duffy* (resigned 6 February 2017)
Mr D Goodman* (appointed 1 June 2017)
Mr M Gunn* (resigned 1 March 2017)
Mr P Heithersay* (appointed 1 June 2017)
Mr P McMahon* (resigned 6 March 2017)
Ms N Morris* (appointed 1 June 2017)
Mr J Schell* (appointed 1 June 2017)
Ms Y Sneddon (Chair)

Department of the Premier and Cabinet
Notes to and forming part of the Financial Statements

Economic Development Board (transferred on 1 April 2017)

Mr T Burgess
Ms S Chase
Mr D Garrard
Ms J Glass
Ms L Jacobs
Mr R Kerin
Mr D Knox (Deputy Chair)
Mr D Lloyd
Ms T Monro
Ms L Read
Mr N Roos
Mr J Rungie
Dr D Russell*
Mr R Spencer (Chair)
Mr D Thomas

Minerals and Energy Advisory Council (transferred on 1 April 2017)

Mr J Anderson^
Ms P Carr (Deputy Chair)
Mr D Carter
Mr A Cole^
Mr D Cruickshanks-Boyd
Mr I Gould
Mr G Guglielmo
Mr P Holloway
Ms R Knol^
Ms A Marsland-Smith^
Ms A McCleary
Ms J McGill^
Mr G McKenzie
Mr M Reed^
Mr B Woods^
Mr K Yates (Chair)

Resources Infrastructure Taskforce Steering Committee (transferred on 1 April 2017)

Mr B Carter^ (Chair)
Mr P Heithersay*
Mr D Hogben*

Roxby Down Advisory Reference Group (transferred on 1 April 2017)

This reference group has no members appointed as at 30 June 2017 and is currently under review.

Department of the Premier and Cabinet
Notes to and forming part of the Financial Statements

Technical Advisory Committee (Electrical and Gas) (transferred on 1 April 2017)

Mr A Baehnisch*
 Ms J Burdeniuk^
 Mr A Clarke^
 Mr J Corbett*
 Mr G Cox^
 Mr R Faunt* (Chair)
 Mr S Fereday*
 Mr B Jackson^
 Mr R Kluba^
 Mr G Michael^
 Mr R Mignone^
 Mr L Moore^
 Mr P Newman*
 Mr S O'Loughlin^
 Mr S Pisoni^
 Ms M Sanchez^
 Mr P Scudds^
 Mr T Sika*
 Mr G Sorensen^
 Mr R Struve*
 Mr A Szacinski*
 Mr T Tran^
 Mr T Tucker*
 Mr T Volkmann*

* 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.

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

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

	2017	2016
	Number of members	Number of members
\$0 - \$9 999	53	12
\$10 000 - \$19 999	10	2
\$20 000 - \$29 999	5	1
\$30 000 - \$39 999	2	-
Total number of board members	70	15

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 \$354 000 (\$86 000).

For the year ending 30 June 2017, the department's disclosure regarding boards and committee's remuneration only applies to those boards and committees who were paid by the department. Boards and committees that did not receive remuneration from the department have been excluded from the note disclosure and comparatives adjusted where applicable.

Amounts paid to a superannuation plan for board/committee members was \$28 000 (\$8 000).

Department of the Premier and Cabinet

Notes to and forming part of the Financial Statements

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

36 Events after the reporting period

Under a Chief Executive Agreement dated 23 May 2017, certain functions associated with the State Procurement Board would transfer to the department from the Department of Treasury and Finance as from 1 July 2017.

A lease is currently being negotiated between the SA Government and the APY Executive Board for the transfer of control of electricity generation equipment and distribution network assets on the APY Lands. Likewise, lease contracts are likely to be executed in 2017-18 with relevant Aboriginal landholding authorities for the transfer of electricity generation equipment and distribution network assets for Oak Valley and Yalata. The execution of these agreements will result in the recognition of significant electricity infrastructure assets. These assets cannot be reliably measured at the time of this report.

37 Trust fund

Extractive Areas Rehabilitation Fund

The Extractive Areas Rehabilitation Fund transferred to the department from the Department of State Development effective 1 April 2017.

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 for the period 1 April 2017 to 30 June 2017 are as follows:

	2017 \$'000	2016 \$'000
Operations:		
Revenue	649	-
Expenditure	446	-
Net operating surplus	203	-
Assets:		
Cash at bank	23 686	-
Total assets	23 686	-
Liabilities:		
Liabilities	-	-
Total liabilities	-	-
Net assets	23 686	-
Funds:		
Balance of funds at transfer on 1 April 2017	23 483	-
Net receipts	203	-
Fund balance at 30 June 2017	23 686	-
Commitments in place at 30 June 2017	477	-

Department of the Premier and Cabinet
Statement of Administered Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Administered expenses			
Employee benefits	A2	534	500
Grants and subsidies	A3	-	249
Intra government transfers	A4	-	142
Supplies and services	A5	2 839	1 701
Disbursements on behalf of third parties	A6	358 929	405 628
Payments to SA Government	A8	65 756	3 502
Total administered expenses		428 058	411 722
Administered income			
Collections on behalf of third parties	A7	358 929	405 628
Royalties		65 754	-
Revenues from SA Government	A8	2 480	2 364
Interest		-	1
Fees and charges		764	-
Total administered income		427 927	407 993
Net result		(131)	(3 729)
Total comprehensive result		(131)	(3 729)

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 the Premier and Cabinet
Statement of Administered Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Administered current assets			
Cash and cash equivalents	A9	22 583	4 651
Receivables	A10	11 647	1
Total current assets		34 230	4 652
Total assets		34 230	4 652
Administered current liabilities			
Payables	A11	31 548	1 861
Employee benefits	A12	8	6
Total current liabilities		31 556	1 867
Total liabilities		31 556	1 867
Net assets		2 674	2 785
Equity			
Retained earnings		2 674	2 785
Total equity		2 674	2 785

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

Unrecognised contractual commitments	A14
Contingent assets and liabilities	A15

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

Department of the Premier and Cabinet
Statement of Administered Changes in Equity
for the year ended 30 June 2017

	Retained earnings	Total
	\$'000	\$'000
Balance at 30 June 2015	6 514	6 514
Net result for 2015-16	(3 729)	(3 729)
Total comprehensive result for 2015-16	(3 729)	(3 729)
Balance at 30 June 2016	2 785	2 785
Net result for 2016-17	(131)	(131)
Total comprehensive result for 2016-17	(131)	(131)
Net assets transferred in as a result of administrative restructures	20	20
Balance at 30 June 2017	2 674	2 674

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 the Premier and Cabinet
Statement of Administered Cash Flows
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash outflows			
Payments to SA Government		(48 560)	(3 502)
Employee benefits		(532)	(497)
Grants and subsidies		-	(249)
Intra government transfers		-	(142)
Supplies and services		(2 078)	(1 719)
Disbursements on behalf of third parties		(359 205)	(405 595)
Cash used in operations		(410 375)	(411 704)
Cash inflows			
Revenues from SA Government		2 480	2 364
Fees and charges		839	12
Collections on behalf of third parties		358 929	405 628
Interest		-	1
Other receipts		54 872	-
Cash generated from operations		417 120	408 005
Net cash provided by (used in) operating activities	A16	6 745	(3 699)
Cash flows from financing activities			
Cash inflows			
Cash transferred in as a result of restructuring activities		11 187	-
Cash provided by financing activities		11 187	-
Net decrease in cash and cash equivalents		17 932	(3 699)
Cash and cash equivalents at the beginning of the period		4 651	8 350
Cash and cash equivalents at the end of the period	A9	22 583	4 651

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

Department of the Premier and Cabinet
Disaggregated Disclosure – Administered Expenses and Income
for the year ended 30 June 2017

	Special Act Salaries and Allowances		Bank of Tokyo Cultural and Social Exchange		Promotion of the State	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administered expenses						
Employee benefits	534	500	-	-	-	-
Grants and subsidies	-	-	-	-	-	249
Intra government transfers	-	-	-	89	-	-
Supplies and services	-	-	-	-	1 894	1 500
Disbursements on behalf of third parties	-	-	-	-	-	-
Payments to SA Government	-	1 024	-	-	-	-
Total administered expenses	534	1 524	-	89	1 894	1 749
Administered income						
Collections on behalf of third parties	-	-	-	-	-	-
Royalties	-	-	-	-	-	-
Revenues from SA Government	550	485	-	-	1 930	1 879
Interest	-	-	-	1	-	-
Fees and charges	-	-	-	-	-	-
Total administered income	550	485	-	1	1 930	1 879
Net result	16	(1 039)	-	(88)	36	130

Department of the Premier and Cabinet
Disaggregated Disclosure – Administered Expenses and Income
for the year ended 30 June 2017

	TVSP Scheme		Government Workers Compensation		Service SA Administered	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administered expenses						
Employee benefits	-	-	-	-	-	-
Grants and subsidies	-	-	-	-	-	-
Intra government transfers	-	-	-	53	-	-
Supplies and services	-	-	-	-	-	-
Disbursements on behalf of third parties	-	-	-	-	358 929	405 628
Payments to SA Government	-	3	-	2 475	-	-
Total administered expenses	-	3	-	2 528	358 929	405 628
Administered income						
Collections on behalf of third parties	-	-	-	-	358 929	405 628
Royalties	-	-	-	-	-	-
Revenues from SA Government	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Fees and charges	-	-	-	-	-	-
Total administered income	-	-	-	-	358 929	405 628
Net result	-	(3)	-	(2 528)	-	-

Department of the Premier and Cabinet
Disaggregated Disclosure – Administered Expenses and Income
for the year ended 30 June 2017

	ODG Administered		Mintabie Administration		Native Title Agreement	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administered expenses						
Employee benefits	-	-	-	-	-	-
Grants and subsidies	-	-	-	-	-	-
Intra government transfers	-	-	-	-	-	-
Supplies and services	1	201	18	-	927	-
Disbursements on behalf of third parties	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-
Total administered expenses	1	201	18	-	927	-
Administered income						
Collections on behalf of third parties	-	-	-	-	-	-
Royalties	-	-	-	-	-	-
Revenues from SA Government	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Fees and charges	-	-	13	-	751	-
Total administered income	-	-	13	-	751	-
Net result	(1)	(201)	(5)	-	(176)	-

Department of the Premier and Cabinet
Disaggregated Disclosure – Administered Expenses and Income
for the year ended 30 June 2017

	Royalties		Total	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Administered expenses				
Employee benefits	-	-	534	500
Grants and subsidies	-	-	-	249
Intra government transfers	-	-	-	142
Supplies and services	(1)	-	2 839	1 701
Disbursements on behalf of third parties	-	-	358 929	405 628
Payments to SA Government	65 756	-	65 756	3 502
Total administered expenses	65 755	-	428 058	411 722
Administered income				
Collections on behalf of third parties	-	-	358 929	405 628
Royalties	65 754	-	65 754	-
Revenues from SA Government	-	-	2 480	2 364
Interest	-	-	-	1
Fees and charges	-	-	764	-
Total administered income	65 754	-	427 927	407 993
Net result	(1)	-	(131)	(3 729)

Department of the Premier and Cabinet
Disaggregated Disclosure – Administered Assets and Liabilities
as at 30 June 2017

	Special Act Salaries and Allowances		SA Okayama		Promotion of the State		Service SA Administered	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Assets								
Cash and cash equivalents	(44)	(61)	48	48	3 008	2 803	1 585	1 861
Total assets	(44)	(61)	48	48	3 008	2 803	1 585	1 861
Liabilities								
Payables	-	-	-	-	170	-	1 585	1 861
Employee benefits	8	6	-	-	-	-	-	-
Total liabilities	8	6	-	-	170	-	1 585	1 861

	ODG Administered		Mintabie Administration		Native Title Agreement		Royalties	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Assets								
Cash and cash equivalents	-	-	18	-	270	-	17 698	-
Receivables	-	1	-	-	358	-	11 289	-
Total assets	-	1	18	-	628	-	28 987	-
Liabilities								
Payables	-	-	80	-	775	-	28 938	-
Total liabilities	-	-	80	-	775	-	28 938	-

	Total	
	2017 \$'000	2016 \$'000
Assets		
Cash and cash equivalents	22 583	4 651
Receivables	11 647	1
Total assets	34 230	4 652
Liabilities		
Payables	31 548	1 861
Employee benefits	8	6
Total liabilities	31 556	1 867

Department of the Premier and Cabinet

Notes to and forming part of the Administered Financial Statements

A1 Significant accounting policies

The department's significant accounting policies are contained in note 2 'Significant Accounting Policies'. The policies outlined in note 2 apply to both the department and Administered financial statements.

Administered items

The following funds were administered by the department as at 30 June 2017. They do not represent controlled transactions of the department. As such, they are not recognised in the financial statements of the department.

- Special Act Salaries and Allowances
- SA Okayama
- Promotion of the State
- Service SA collections and disbursements
- Office of the Digital Government - Administered
- Mintabie Administration
- Native Title Agreement
- Royalties

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 Energy Act 2000*. Royalty receipts are returned to the Consolidated Account in the month following collection. This activity was transferred from the Department of State Development effective from 1 April 2017.

Native Title Agreement

The department collects revenue via a levy equivalent to 10% of the total royalty payable for relevant royalty payers. This is offset by payments made to Aboriginal Councils in the APY Lands. This activity was transferred from the Department of State Development effective from 1 April 2017.

Mintabie Administration

The Mintabie Township Lease and Lease Agreement came into operation on 1 July 2012, signed by Anangu Pitjantjatjara Yankunytjatjara (APY), the Minister for Aboriginal Affairs and Reconciliation and the Minister for Mineral Resources and Energy. The department administers the residential campsite licensing system and regulation. This activity was transferred from the Department of State Development effective from 1 April 2017.

Department of the Premier and Cabinet
Notes to and forming part of the Administered Financial Statements

A2 Employee benefits

	2017 \$'000	2016 \$'000
Salaries and wages	517	482
Other employment related expenses	17	18
Total employee benefits	534	500

Remuneration of employees

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

	2017 number	2016 number
\$507 001 - \$517 000 *	-	1
\$527 001 - \$537 000 *	1	-
Total	1	1

The table includes staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs including salaries and wages, payments in lieu of leave, superannuation contributions, fringe benefits tax and other salary sacrifice benefits. The total remuneration received by the staff member for the year was \$535 000 (\$516 000).

*The employee on-costs of the staff member were included in the department's controlled financial statements.

A3 Grants and subsidies

	2017 \$'000	2016 \$'000
Grants and subsidies	-	249
Total grants and subsidies	-	249

A4 Intra government transfers

	2017 \$'000	2016 \$'000
Other intra-government transfers	-	142
Total intra-government transfers	-	142

A5 Supplies and services

	2017 \$'000	2016 \$'000
Marketing	1 894	1 500
IT services and computing charges	1	4
Contractors	-	56
Other supplies and services	944	141
Total supplies and services	2 839	1 701

Department of the Premier and Cabinet
Notes to and forming part of the Administered Financial Statements

A6 Disbursements on behalf of third parties

	2017 \$'000	2016 \$'000
Registrations, licences and other fees - Department of Planning, Transport and Infrastructure	345 035	350 227
Expiation notices - South Australia Police	8 092	49 417
Firearms licences - South Australia Police	2 653	2 533
Office of Business and Consumer Affairs	687	753
South Australian Water Corporation	682	897
Emergency Services Levy - South Australian Fire and Emergency Services Commission	865	734
Other	915	1 067
Total disbursements on behalf of third parties	358 929	405 628

A7 Collections on behalf of third parties

	2017 \$'000	2016 \$'000
Registrations, licences and other fees - Department of Planning, Transport and Infrastructure	345 035	350 227
Expiation notices - South Australia Police	8 092	49 417
Firearms licences - South Australia Police	2 653	2 533
Office of Business and Consumer Affairs	687	753
South Australian Water Corporation	682	897
Emergency Services Levy - South Australian Fire and Emergency Services Commission	865	734
Other	915	1 067
Total collections on behalf of third parties	358 929	405 628

A8 Revenues from / payments to SA Government

	2017 \$'000	2016 \$'000
Revenues from SA Government		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	1 930	1 879
<i>Special Acts</i>	550	485
Total revenues from SA Government	2 480	2 364
Payments to SA Government		
Royalties	65 756	-
Surplus cash transferred to the Consolidated account	-	3 502
Total payments to SA Government	65 756	3 502

The original amount appropriated to the department under the annual *Appropriation Act* was not varied in the current or previous financial year.

There was no material variations between the amount appropriated and the expenditure associated with this appropriation.

Department of the Premier and Cabinet
Notes to and forming part of the Administered Financial Statements

A9 Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Deposits with the Treasurer	20 998	2 790
Cash on hand and in transit	1 585	1 861
Total cash and cash equivalents	22 583	4 651

A10 Receivables

	2017	2016
	\$'000	\$'000
Current		
Receivables	363	-
Accrued revenues	11 284	-
Prepayments	-	1
Total current receivables	11 647	1
Total receivables	11 647	1

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. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of risk.

A11 Payables

	2017	2016
	\$'000	\$'000
Current		
Creditors	29 960	-
Registration & licensing creditors	1 585	1 861
Unearned revenues	3	-
Total current payables	31 548	1 861
Total payables	31 548	1 861

A12 Employee benefits

	2017	2016
	\$'000	\$'000
Current		
Accrued salaries and wages	8	6
Total current employee benefits	8	6
Total employee benefits	8	6

Department of the Premier and Cabinet
Notes to and forming part of the Administered Financial Statements

A13 Transferred functions

Transferred in

Resources and Energy Group – Administered was transferred from the Department of State Development (DSD) to Department of the Premier and Cabinet effective 1 April 2017.

Total income and expenses attributable to Resources and Energy Group - Administered for 2016-17 were:

	Department of State Development July 2016 to March 2017	Department of the Premier and Cabinet April 2017 to June 2017	Total
	\$'000	\$'000	\$'000
<u>Mintabie Administration</u>			
Administered income			
Fees and charges	25	13	38
Total administered income	25	13	38
Administered expenses			
Supplies and services	20	18	38
Total administered expenses	20	18	38
Net result	5	(5)	-
<u>Native Title Agreement</u>			
Administered income			
Fees and charges	2 196	751	2 947
Total administered income	2 196	751	2 947
Administered expenses			
Supplies and services	2 218	927	3 145
Total administered expenses	2 218	927	3 145
Net result	(22)	(176)	(198)
<u>Royalties</u>			
Administered income			
Royalties	148 347	65 754	214 101
Total administered income	148 347	65 754	214 101
Administered expenses			
Supplies and services	-	(1)	(1)
Payments to SA Government	148 347	65 756	214 103
Total administered expenses	148 347	65 755	214 102
Net result	-	(1)	(1)

Department of the Premier and Cabinet
Notes to and forming part of the Administered Financial Statements

Total

Administered income

Royalties	148 347	65 754	214 101
Fees and charges	2 221	764	2 985
Total administered income	150 568	66 518	217 086

Administered expenses

Supplies and services	2 238	944	3 182
Payments to SA Government	148 347	65 756	214 103
Total administered expenses	150 585	66 700	217 285
Net result	(17)	(182)	(199)

The following assets and liabilities relating to the Resources and Energy Group – Administered were transferred from the Department of State Development (DSD) effective 1 April 2017:

	Mintable Administration \$'000	Native Title Agreement \$'000	Royalty \$'000	Total \$'000
Assets				
Cash	5	(202)	11 384	11 187
Receivables	-	433	406	839
Total assets	5	231	11 790	12 026
Liabilities				
Payables	62	202	11 742	12 006
Total liabilities	62	202	11 742	12 006
Net assets transferred	(57)	29	48	20

A14 Unrecognised contractual commitments

There are no unrecognised contractual commitments as at 30 June 2017.

A15 Contingent Assets and Liabilities

The department is not aware of any contingent assets or liabilities affecting the administered activities of the department as at 30 June 2017.

Department of the Premier and Cabinet
Notes to and forming part of the Administered Financial Statements

A16 Cash flow reconciliation

	2017 \$'000	2016 \$'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	22 583	4 651
Cash and cash equivalents disclosed in the statement of cash flows	22 583	4 651
Reconciliation of net cash provided by operating activities to net result of administered items		
Net cash provided by operating activities	6 745	(3 699)
Add/(less) Non-cash Items		
Net transfers from administrative restructures	11,167	-
Movements in assets and liabilities		
Increase/(decrease) in receivables	11 646	(11)
(Increase) in payables	(29 687)	(16)
(Increase) in employee benefits	(2)	(3)
Net cost of providing services	(131)	(3 729)

A17 Events after the reporting date

There are no known events after balance date that affects these financial statements in a material manner.

Department of the Premier and Cabinet
Notes to and forming part of the Administered Financial Statements

A18 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. Transactions with the SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

	Note	SA Government		Non SA Government		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses							
Employee benefits	A2	-	-	534	500	534	500
Grants and subsidies	A3	-	-	-	249	-	249
Intra government transfers	A4	-	142	-	-	-	142
Supplies and services	A5						
Marketing		-	-	1 894	1 500	1 894	1 500
IT services and computing charges		-	-	1	4	1	4
Contractors		-	-	-	56	-	56
Other supplies and services		-	-	944	141	944	141
Disbursements on behalf of third parties	A6						
Registrations, licences and other fees - DPTI		345 035	350 227	-	-	345 035	350 227
Expiation notices - South Australia Police		8 092	49 417	-	-	8 092	49 417
Firearms licences - South Australia Police		2 653	2 533	-	-	2 653	2 533
Office of Business and Consumer Affairs		687	753	-	-	687	753
South Australian Water Corporation		682	897	-	-	682	897
Emergency Services Levy		865	734	-	-	865	734
Other		915	1 067	-	-	915	1 067
Payments to SA Government	A8	65 756	3 502	-	-	65 756	3 502
Total expenses		424 685	409 272	3 373	2 450	428 058	411 722

Department of the Premier and Cabinet
Notes to and forming part of the Administered Financial Statements

	Note	SA Government		Non SA Government		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Income							
Collections on behalf of third parties	A7						
Registrations, licences and other fees - DPTI		-	-	345 035	350 227	345 035	350 227
Expiation notices - South Australia Police		-	-	8 092	49 417	8 092	49 417
Firearms licences - South Australia Police		-	-	2 653	2 533	2 653	2 533
Office of Business and Consumer Affairs		-	-	687	753	687	753
South Australian Water Corporation		-	-	682	897	682	897
Emergency Services Levy		-	-	865	734	865	734
Other		-	-	915	1 067	915	1 067
Royalties		-	-	65 754	-	65 754	-
Revenues from SA Government	A8	2 480	2 364	-	-	2 480	2 364
Interest revenues		-	1	-	-	-	1
Fees and charges		-	-	764	-	764	-
Total income		2 480	2 365	425 447	405 628	427 927	407 993
Financial assets							
Receivables	A10						
Receivables		-	-	11 647	1	11 647	1
Total financial assets		-	-	11 647	1	11 647	1
Financial liabilities							
Payables	A11						
Creditors		28 742	-	1 218	-	29 960	-
Registration & licensing creditors		1 585	1 861	-	-	1 585	1 861
Unearned revenues		3	-	-	-	3	-
Employee benefits	A12						
Accrued salaries and wages		-	-	8	6	8	6
Total financial liabilities		30 330	1 861	1 226	6	31 556	1 867

Department of the Premier and Cabinet
Notes to and forming part of the Administered Financial Statements

A19 Budgetary reporting and explanations of major variances

The following are brief explanations of variances between original budget and actual amounts. Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted expenses.

		Original budget 2017 \$'000	Actual 2017 \$'000	Variance 2017 \$'000
Statement of Administered Comprehensive Income				
Administered expenses				
Employee benefits		530	534	4
Supplies and services		17 933	2 839	(15 094)
Disbursements on behalf of third parties	(a)	1 463 702	358 929	(1 104 773)
Payments to SA Government		-	65 756	65 756
Total administered expenses		1 482 165	428 058	(1 054 107)
Administered income				
Collections on behalf of third parties	(b)	1 479 468	358 929	(1 120 539)
Revenues from SA Government		2 460	2 480	20
Royalties		-	65 754	65 754
Interest		4	-	(4)
Fees and charges		195	764	569
Total administered income		1 482 127	427 927	(1 054 200)
Net result		(38)	(131)	(93)
Total comprehensive result		(38)	(131)	(93)

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 (2016-17 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.

Major variance explanations

- (a) The budget includes payments to the Department of Planning, Transport and Infrastructure (DPTI) and Motor Accident Commission (MAC) for online motor vehicle registration and licensing collections via EzyReg. A decision was however reached that DPC only administer over-the-counter collections (there by excluding online collections which are recorded by DPTI). The budget has not yet been adjusted to reflect this decision.
- (b) The budget includes revenue to DPTI and MAC for online motor vehicle registration and licensing collections via EzyReg. A decision was however reached that DPC only administer over-the-counter collections (thereby excluding online collections which are recorded by DPTI). The budget has not yet been adjusted to reflect this decision.

DEPARTMENT OF THE PREMIER AND CABINET Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Department of the Premier and Cabinet:

- are in accordance with the accounts and records of the department;
- comply with relevant Treasurer's instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian accounting standards; and
- present a true and fair view of the financial position of the Department of the Premier and Cabinet as at 30 June 2017 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Department of the Premier and Cabinet 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
18 September 2017



Steven Woolhouse FCPA
Chief Finance Officer
18 September 2017

Department of the Premier and Cabinet Certification of the Administered Financial Statements

We certify that the attached general purpose financial statements for the Department of the Premier and Cabinet:

- are in accordance with the accounts and records of the department;
- comply with relevant Treasurer's instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian accounting standards; and
- present a true and fair view of the financial position of the Department of the Premier and Cabinet as at 30 June 2017 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Department of the Premier and Cabinet 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
18 September 2017



Steven Woolhouse FCPA
Chief Finance Officer
18 September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chief Executive Department of the Premier and Cabinet

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Department of the Premier and Cabinet for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Department of the Premier and Cabinet as at 30 June 2017, 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.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2017
- Disaggregated Disclosures - Assets and Liabilities as at 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Statement of Administered Comprehensive Income for the year ended 30 June 2017
- a Statement of Administered Financial Position as at 30 June 2017
- a Statement of Administered Changes in Equity for the year ended 30 June 2017
- a Statement of Administered Cash Flows for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information for administered items
- a Certificate from the Chief Executive and the Chief Finance Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Department of the Premier and Cabinet. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the Chief Executive 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 management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

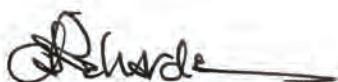
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

21 September 2017

Department of
Primary Industries
and Regions

Financial report
for the year ended
30 June 2017

Department of Primary Industries and Regions
Statement of Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Employee benefits	5	92 120	92 066
Supplies and services	6	49 470	54 466
Depreciation and amortisation	7	6 060	5 673
Grants and subsidies	8	89 367	109 874
Borrowing costs	9	355	249
Net loss from the disposal of non-current assets	10	206	-
Other	11	1 096	1 159
Total expenses		238 674	263 487
Income			
Fees and charges	12	14 658	14 395
Advances and grants	13	54 554	58 079
Commonwealth revenues (National Partnership payments)	14	57 187	86 187
Interest revenues	15	1 799	1 949
Sale of goods	16	3 048	2 989
Net gain from the disposal of non-current assets	10	-	116
Other	17	4 021	3 681
Resources received free of charge	18	2	9 317
Total income		135 269	176 713
Net cost of providing services		(103 405)	(86 774)
Revenues from/payments to SA Government			
Revenues from SA Government	19	126 885	104 929
Payments to SA Government	19	(5 722)	(1 186)
Net revenues from SA Government		121 163	103 743
Net result		17 758	16 969
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Changes in property, plant and equipment asset revaluation surplus		(407)	-
Total other comprehensive income		(407)	-
Total comprehensive result		17 351	16 969

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 Primary Industries and Regions
Statement of Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash	20	165 634	155 854
Receivables	21	15 774	17 793
Inventories	22	2 216	1 847
Non-current assets classified as held for sale	24	-	2 976
Total current assets		183 624	178 470
Non-current assets			
Receivables	21	14 328	3 573
Other financial assets	23	4 518	4 518
Property, plant and equipment	25	113 064	112 121
Intangible assets	26	7 081	6 169
Total non-current assets		138 991	126 381
Total assets		322 615	304 851
Current liabilities			
Payables	28	14 565	12 239
Borrowings/financial liabilities	29	11 224	22 740
Employee benefits	30	10 129	9 526
Provisions	31	425	502
Other liabilities	32	15 554	16 763
Total current liabilities		51 897	61 770
Non-current liabilities			
Payables	28	2 284	2 334
Borrowings/financial liabilities	29	14 488	3 555
Employee benefits	30	24 230	24 289
Provisions	31	722	1 125
Other liabilities	32	1 013	1 148
Total non-current liabilities		42 737	32 451
Total liabilities		94 634	94 221
Net assets		227 981	210 630
Equity			
Retained earnings	33	191 340	172 103
Asset revaluation surplus	33	36 641	38 527
Total equity		227 981	210 630

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

Unrecognised contractual commitments	34
Contingent assets and liabilities	35

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

Department of Primary Industries and Regions
Statement of Changes in Equity
for the year ended 30 June 2017

	Note	Asset revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2015		39 154	154 519	193 673
Prior period adjustment		-	(13)	(13)
Restated balance at 30 June 2015		39 154	154 506	193 660
 Net result for 2015-16		-	16 824	16 824
Prior period adjustment to net result	3a	-	145	145
Restated net result for 2015-16		-	16 969	16 969
Total comprehensive result for 2015-16		-	16 969	16 969
Transfer from reserve		(627)	627	-
Balance at 30 June 2016		38 527	172 102	210 629
Prior period adjustment	3a	-	1	1
Restated balance at 30 June 2016	33	38 527	172 103	210 630
 Net result for 2016-17		-	17 758	17 758
Loss on revaluation of surplus land, buildings and infrastructure	25	(407)	-	(407)
Total comprehensive result for 2016-17		(407)	17 758	17 351
Transfer from reserve		(1 479)	1 479	-
Balance at 30 June 2017	33	36 641	191 340	227 981

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 Primary Industries and Regions
Statement of Cash Flows
for the year ended 30 June 2017

		2017	2016
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash outflows			
Employee benefit payments		(91 330)	(88 806)
Supplies and services		(47 641)	(55 594)
Grants and subsidies		(87 453)	(109 702)
Interest paid		(314)	(314)
GST paid to suppliers		(15 413)	(15 033)
Payments for paid parental leave scheme		(228)	(151)
Other payments		(604)	(603)
Cash used in operations		(242 983)	(270 203)
Cash inflows			
Fees and charges		14 678	15 515
Sale of goods		1 089	852
Commonwealth revenues (National Partnership payments)		57 187	86 187
Advances and grants		52 066	59 445
Interest received		1 446	1 645
GST receipts from customers		5 387	4 611
GST recovered from the ATO		9 875	9 466
Receipts for paid parental leave scheme		219	162
Other receipts		4 363	4 162
Cash generated from operations		146 310	182 045
Cash flows from SA Government			
Receipts from SA Government		126 885	104 929
Payments to SA Government		(5 722)	(1 186)
Cash generated from SA Government		121 163	103 743
Net cash provided by operating activities	40	24 490	15 585
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(10 703)	(7 940)
Loans advanced to rural sector and industry		(11 381)	(3 405)
Purchase of inventories		(559)	(438)
Purchase of intangibles		(2 216)	(2 343)
Cash used in investing activities		(24 859)	(14 126)
Cash inflows			
Loans repaid by the rural sector and industry		3 576	5 506
Proceeds from the sale of property, plant and equipment		5 563	1 090
Sale of inventories		1 591	1 515
Lease incentives received		2	1 332
Cash generated from investing activities		10 732	9 443
Net cash (used in) / provided by investing activities		(14 127)	(4 683)
Cash flows from financing activities			
Cash outflows			
Repayment of borrowings	29	(16 207)	(23 008)
Cash used in financing activities		(16 207)	(23 008)
Cash inflows			
Proceeds of borrowings	29	15 624	20 300
Cash generated by financing activities		15 624	20 300
Net cash (used in) / provided by financing activities		(583)	(2 708)
Net increase in cash and cash equivalents		9 780	8 194
Cash and cash equivalents at the beginning of the reporting period		155 854	147 660
Cash and cash equivalents at the end of the reporting period	20	165 634	155 854

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

Department of Primary Industries and Regions
Disaggregated Disclosures – Expenses and Income
for the year ended 30 June 2017

Activities - (refer note 4)	Agriculture, Food and Fisheries		Forestry Policy		Regional Development		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses								
Employee benefits	86 978	86 173	596	682	4 546	5 211	92 120	92 066
Supplies and services	47 256	52 164	336	333	1 878	1 969	49 470	54 466
Depreciation and amortisation	6 060	5 673	-	-	-	-	6 060	5 673
Grants and subsidies	59 293	83 151	2 930	10	27 144	26 713	89 367	109 874
Borrowing costs	355	249	-	-	-	-	355	249
Net loss from the disposal of non-current assets	206	-	-	-	-	-	206	-
Other	1 095	1 159	-	-	1	-	1 096	1 159
Total expenses	201 243	228 569	3 862	1 025	33 569	33 893	238 674	263 487
Income								
Fees and charges	14 658	14 395	-	-	-	-	14 658	14 395
Advances and grants	53 528	56 079	-	-	1 026	2 000	54 554	58 079
Commonwealth revenues (National Partnership payments)	57 187	86 187	-	-	-	-	57 187	86 187
Interest revenues	1 799	1 949	-	-	-	-	1 799	1 949
Sale of goods	3 048	2 989	-	-	-	-	3 048	2 989
Net gain from the disposal of non-current assets	-	116	-	-	-	-	-	116
Other	3 923	3 680	96	1	2	-	4 021	3 681
Resources received free of charge	2	9 317	-	-	-	-	2	9 317
Total income	134 145	174 712	96	1	1 028	2 000	135 269	176 713
Net cost of providing services	(67 098)	(53 857)	(3 766)	(1 024)	(32 541)	(31 893)	(103 405)	(86 774)
Revenues from/payments to SA Government								
Revenues from SA Government	90 578	72 012	3 766	1 024	32 541	31 893	126 885	104 929
Payments to SA Government	(5 722)	(1 186)	-	-	-	-	(5 722)	(1 186)
Net revenues from SA Government	84 856	70 826	3 766	1 024	32 541	31 893	121 163	103 743
Net result	17 758	16 969	-	-	-	-	17 758	16 969

The 2016 comparatives have been restated for prior period adjustments.

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

Department of Primary Industries and Regions
Disaggregated Disclosures – Assets and Liabilities
for the year ended 30 June 2017

Activities - (refer note 4)	Agriculture, Food and Fisheries		Forestry Policy		Regional Development		General/Not Attributable		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets										
Cash	115 101	126 210	-	-	-	-	50 533	29 644	165 634	155 854
Receivables	13 253	14 808	15	-	315	-	2 191	2 985	15 774	17 793
Inventories	2 216	1 847	-	-	-	-	-	-	2 216	1 847
Non-current assets classified as held for sale	-	-	-	-	-	-	-	2 976	-	2 976
Total current assets	130 570	142 865	15	-	315	-	52 724	35 605	183 624	178 470
Non-current assets										
Receivables	14 325	3 569	-	-	-	-	3	4	14 328	3 573
Other financial assets	4 518	4 518	-	-	-	-	-	-	4 518	4 518
Property, plant and equipment	93 515	94 509	-	-	-	17	19 549	17 595	113 064	112 121
Intangible assets	354	309	-	-	-	-	6 727	5 860	7 081	6 169
Total non-current assets	112 712	102 905	-	-	-	17	26 279	23 459	138 991	126 381
Total assets	243 282	245 770	15	-	315	17	79 003	59 064	322 615	304 851
Current liabilities										
Payables	8 651	9 811	19	9	3 187	47	2 708	2 372	14 565	12 239
Borrowings/financial liabilities	11 224	22 740	-	-	-	-	-	-	11 224	22 740
Employee benefits	6 269	6 165	61	55	293	251	3 506	3 055	10 129	9 526
Provisions	387	422	-	-	2	1	36	79	425	502
Other liabilities	15 423	16 631	-	-	-	-	131	132	15 554	16 763
Total current liabilities	41 954	55 769	80	64	3 482	299	6 381	5 638	51 897	61 770
Non-current liabilities										
Payables	1 629	1 680	27	27	64	61	564	566	2 284	2 334
Borrowings/financial liabilities	14 488	3 555	-	-	-	-	-	-	14 488	3 555
Employee benefits	17 276	17 484	291	277	678	636	5 985	5 892	24 230	24 289
Provisions	667	986	-	-	3	4	52	135	722	1 125
Other liabilities	-	-	-	-	-	-	1 013	1 148	1 013	1 148
Total non-current liabilities	34 060	23 705	318	304	745	701	7 614	7 741	42 737	32 451
Total liabilities	76 014	79 474	398	368	4 227	1 000	13 995	13 379	94 634	94 221
Net assets	167 268	166 296	(383)	(368)	(3 912)	(983)	65 008	45 685	227 981	210 630

The 2016 comparatives have been restated for prior period adjustments.

Note:

Assets and liabilities are only attributed to activities where this can be done reliably.
 Certain amounts like cash and taxation amounts receivable and due from operating transactions are not allocated.
 Property, plant and equipment assets are only allocated where there is exclusive custody, control and regulation of the use of the asset, by that activity. Where this criteria is not met the asset value is 'general/not attributable'.
 In the construction of this report a negative 'net assets' position may result for a program from the allocation method used and/or non attribution of assets and liabilities to programs. However, total 'net assets' reconciles to the Statement of Financial Position.

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

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

1 Objectives of the Department of Primary Industry and Regions

The purpose of the Department of Primary Industries and Regions (PIRSA / the department) is to assist South Australia's primary industries and regions to grow, innovate and maximise their economic potential.

We lead the delivery of the South Australian Government's premium food and wine produced in our clean environment and exported to the world economic priority, and lead and coordinate the state's regional development agenda to improve economic and social outcomes for regional South Australia through the Government's Charter for Stronger Regional Policy.

2 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 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.

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
- the selection and application of accounting policies in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with 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 be included in the financial report:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies
 - (b) expenses incurred as a result of engaging consultants
 - (c) employee targeted voluntary separation package (TVSP) 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
 - (f) the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

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

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

c) 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. Transactions and balances relating to administered resources are not recognised as departmental income, expenses, assets and liabilities. As administered items are significant in relation to the department's overall financial performance and position, they are disclosed in the administered financial statements at the back of the controlled general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

In the process of reporting on the department as a single unit, all internal transactions have been eliminated in full.

d) Transferred functions

There were no transferred functions during the 2016-17 year.

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

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

f) Rounding

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

g) Taxation

The department is not subject to Income Tax. The department is liable for Payroll Tax, Fringe Benefits Tax, Goods and Services tax (GST) and Emergency Services Levy.

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

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

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

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

h) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June 2017 and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June 2017.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

2 h) Events after the reporting date (continued)

Note disclosure is made about events between 30 June 2017 and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June 2017 and which may have a material impact on the results of subsequent years.

i) Current and non-current classification

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

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

j) Non – current assets

Acquisition and recognition

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

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal cost as part of a restructuring of administrative arrangements then the assets are recognised at book value, that is, 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.

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

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.

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

Land and assets held for sale are not depreciated.

Depreciation/amortisation is calculated on a straight line basis either over the estimated useful life of the asset, where this can be reasonably determined, or a class rate taken from the table below:

Class of asset	Useful life (years)
Buildings and infrastructure	1-80
Leasehold improvements	10 (or life of lease)
Plant and equipment	1-50
Intangibles	1-10

2 Significant accounting policies (continued)

2 j) Non – current assets (continued)

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, and infrastructure assets via a valuation appraisal by 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 until the next valuation, when they are revalued to fair value.

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

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

Land and buildings

Land, buildings and infrastructure were independently reviewed to fair value as at 30 June 2013. Valuations comprised independent valuations received from Liquid Pacific Pty Ltd who valued the department's assets located in the metropolitan and near country areas. Valuation increments/decrements were recorded where applicable for land, buildings and infrastructure, which represents roads, fencing, signage etc.

Leasehold improvements

Leasehold improvements are recognised at cost and are deemed to have been revalued to their fair values immediately following recognition.

Plant and equipment

In accordance with Accounting Policy Framework III *Asset Accounting Framework* all plant and equipment below the revaluation threshold are deemed to have been revalued to their fair values immediately following recognition at cost.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost and are tested for indicators of impairment at each reporting date. 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 amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

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

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

Water rights are valued at cost determined from an infrastructure levy payable in instalments to the water provider. The right grants access to a contracted fixed annual supply of water while PIRSA maintains a supply agreement and shares with the provider. Where water use restrictions apply within the year the value of the resource is diminished and an impairment allowance is recognised.

2 Significant accounting policies (continued)

2 j) Non – current assets (continued)

Constructions and works in progress

Works in progress relate to costs associated with systems development, purchases of plant and equipment and other developments.

Impairment

The department holds its property, plant and equipment and intangible assets for their service potential (value in use).

All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any costs of disposal would be negligible, accordingly the recoverable amount will be close to or greater than fair value.

The department also expects for all other non-current tangible assets that any costs of disposal will be negligible, and the recoverable amount to be close to or greater than fair value.

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 department's measurements, based on the data and assumptions used in the most recent revaluation:

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

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

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 notes 25 and 27 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

k) Liabilities

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.

2 Significant accounting policies (continued)

2 k) Liabilities (continued)

Operating leases

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

Lease incentives

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

The aggregate benefits of lease incentives received by the department in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

Lease incentives that provide benefits up to a stipulated maximum amount in a mixed form are first recognised as a convertible lease right. These incentives generally provide for certain agreed capital improvement works to be undertaken within a specified time, after commencement of the lease agreement, with an option to take any remainder of the benefit as a cash payout or a rent free period.

As capital projects are completed the value of the right is reduced and a leasehold improvement asset is recognised and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

Employee benefits

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

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

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

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

In accordance with AASB 119 *Employee Benefits* the liability for annual leave is recognised at the amount expected to be paid when the liability is settled. All annual leave is considered to be a current liability in accordance with AASB 101 *Presentation of Financial Statements*

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

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The current portion of long service leave reflects the amount of long service leave expected to be taken in the next 12 months, based on previous experience.

2 Significant accounting policies (continued)

l) Unrecognised contractual commitments and contingent assets and liabilities

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

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value (refer note 35).

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

m) Trust funds

The department has received monies in a trustee capacity for trusts as set out in note 37.

As the department performs only a custodial role in respect of these monies, and because the monies cannot be used for achievement of the department's objectives, the revenues and expenditures are only disclosed by way of note and are not brought to account in the department's financial statements.

3 New and revised Accounting Standards

AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants* gave rise to amendments to AASB 141 *Agriculture* and AASB 116 *Property, Plant and Equipment*, applicable to annual reporting periods beginning on or after 1 January 2016, and have been adopted by the department for the first time for the reporting period ending 30 June 2017. The amendments require bearer plants to be recorded as a separate class of assets under AASB 116 *Property, Plant and Equipment* and not to be accounted for under AASB 141 *Agriculture*.

The fair value of bearer assets has been recognised in the balance sheet at the fair value as previously recorded under AASB 141 *Agriculture*. Future changes to the fair value will be recorded through Other Comprehensive Income. The changes have been implemented retrospectively in accordance with AASB108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The department did not voluntarily change any of its accounting policies during 2016-17.

Australian Accounting Standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the department for the period ending 30 June 2017.

AASB 16 *Leases* will apply for the first time for reporting periods beginning on or after 1 January 2019. The amended standard introduces a single accounting model for lessees, eliminating the distinction between operating and finance leases.

The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease payments will no longer be expensed in the Statement of Comprehensive Income on a straight line basis. Rather, they will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will be recognised as an expense.

It is anticipated that there will be a marginal impact on net result due to recognition of depreciation and interest on lease liabilities as expenses.

3 New and revised Accounting Standards (continued)

The classification of cash flows will be affected as operating lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively. Currently, operating lease payments are presented as operating cash flows and recorded as commitments, which are not captured in the Statement of Financial Position.

The department has not yet quantified the impact of applying AASB 16 *Leases* to its operating lease arrangements and the resulting impact on the Statement of Comprehensive Income, the Statement of Financial Position and the Commitments disclosure in the Notes to the Financial Statements.

AASB 15 *Revenue from Contracts with Customers* will replace the existing AASB 118 *Revenue* and applies to reporting periods beginning on or after 1 January 2019. AASB 15 *Revenue from Contracts with Customers* introduces a five step process for revenue recognition with the core principle being to recognise revenue 'when control of a good or service transfers to a customer'. This is effectively when performance obligations have been met, rather than the former model of 'where the risk and rewards of ownership reside'. AASB 15 *Revenue from Contracts with Customers* will generally result in increased disclosures.

The changes in revenue recognition requirements may result in changes to the timing and amount of revenue from sales of the department's goods and services. Some revenue may need to be deferred to a later reporting period to the extent that the department has received cash but has not yet met the associated performance obligations.

AASB 1058 *Income of Not-for-Profit Entities* will replace a number of income recognition requirements under AASB 1004 *Contributions* and applies to reporting periods beginning on or after 1 January 2019. The timing of income recognition depends on whether a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity. Where there is no liability to be recognised under another standard, or the liability is less than the fair value of the asset received then revenue is recognised.

The department has not yet quantified the impact of applying AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* and the resulting impact on the Statement of Comprehensive Income.

The revision to AASB 9 *Financial Instruments* applies to reporting periods beginning on or after 1 January 2018.

AASB 9 *Financial Instruments* provides the principles for the classification, measurement, recognition, de-recognition and disclosure associated with financial assets and liabilities. The key changes include simplified requirements for classification and measurement of financial assets and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognised impairment only when incurred.

The impact of adopting this standard is not known and cannot be reliably estimated because it will be dependent on the financial instruments held and economic conditions at the time of adopting as well as accounting elections and judgements which will need to be made.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
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3a Prior period adjustments

During the financial year adjustments were made to prior year balances. The impact of these adjustments is detailed in the table below:

	Note	2016 Original balance \$'000	2016 Restated balance \$'000	Change \$'000
Statement of Comprehensive Income				
Supplies and services	6	54 576	54 466	110
Depreciation and amortisation	7	5 685	5 673	12
Advances and grants	13	(58 056)	(58 079)	23
Prior period adjustments relating to net result				145
Statement of Financial Position				
Other accrued revenue	21	4 573	4 615	42
Non current inventories (Bearer plants)	22	156	-	(156)
Property, plant and equipment	25	111 841	112 121	280
Accrued expenses	28	(10 344)	(10 346)	(2)
Unearned revenue	32	(16 613)	(16 631)	(18)
Total prior period adjustments				146
Net prior period adjustments reflected in equity				1

The nature of these prior period adjustments were:

- reclassification of transactions between operating and investing activities to ensure assets are correctly recorded and appropriately classified
- bearer plants reclassified from inventories (biological assets) to property, plant and equipment.

4 Activities of the department

In achieving its objectives, the department provides a range of services classified into the following activities.

Agriculture, Food and Fisheries

Lead the delivery of South Australia's economic priority - premium food and wine produced in our clean environment and exported to the world - to drive growth and sustainable development of the state's primary industry resources.

Forestry Policy

Lead the development of employment and growth opportunities in the forest industry, regional development and the provision of services from the state government's forest estate.

Regional Development

Regions SA works with South Australia's regional communities, industries and the three levels of government to identify, promote and support strategic economic development initiatives throughout regional South Australia. The program leverages economic activity, job creation, infrastructure and investment capacity building through its grant programs and other initiatives. It facilitates activities that directly support South Australia's economic priorities in regional South Australia.

The disaggregated disclosure schedule presents expenses, income, assets and liabilities information attributable to each of the activities for the years ended 30 June 2016 and 30 June 2017.

Certain items of the department's Statement of Financial Position are not allocated to activities and are reported as general/not attributable.

Department of Primary Industries and Regions
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5 Employee benefit expenses

	2017	2016
	\$'000	\$'000
Salaries and wages	70 338	67 726
Targeted voluntary separation packages	57	83
Annual leave	6 494	6 098
Long service leave	1 706	4 180
Skills and experience retention leave	490	481
Employment on-costs - superannuation*	7 828	7 937
Employment on-costs - other	4 323	4 326
Board and committee fees	24	49
Workers compensation	391	249
Other employee related expenses	469	937
Total employee benefits expenses	92 120	92 066

* The superannuation employment on-costs charge represents the department's contributions to superannuation plans in respect of current services of current employees.

Targeted voluntary separation packages (TVSPs)	2017	2016
	\$'000	\$'000
Amount paid during the reporting period to separated employees:		
TVSPs	57	83
Leave paid to those employees	18	89
Total amount paid	75	172
Net cost to the department	75	172

The number of employees who received a TVSP during the reporting period was 1 (1).

Department of Primary Industries and Regions
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5 Employee benefit expenses (continued)

Remuneration of employees

	2017	2016
	Number of	Number of
	employees	employees
The number of employees whose remuneration received or receivable falls within the following bands:		
\$145 000 - \$147 000 *	n/a	1
\$147 001 - \$157 000	6	7
\$157 001 - \$167 000	8	10
\$167 001 - \$177 000	7	1
\$177 001 - \$187 000	2	2
\$187 001 - \$197 000	3	1
\$197 001 - \$207 000	5	2
\$207 001 - \$217 000	2	3
\$217 001 - \$227 000	2	4
\$237 001 - \$247 000	-	1
\$257 001 - \$267 000	2	1
\$267 001 - \$277 000	-	1
\$277 001 - \$287 000	-	1
\$297 001 - \$307 000	-	1
\$307 001 - \$317 000	1	-
\$317 001 - \$327 000	-	1
\$347 001 - \$357 000	1	-
\$367 001 - \$377 000	-	1
Total	39	38

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2015-16.

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 \$7.4 million (\$7.5 million).

Analysis of the above table of remuneration of employees categorised by the number of executive and non-executive employees is provided below:

	2017	2016
Executives	22	22
Non-executives	17	16
Total number of employees	39	38

Department of Primary Industries and Regions
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6 Supplies and services

	2017	2016
	\$'000	\$'000
Professional and technical services ⁽¹⁾	13 825	17 407
Administrative and operating costs	8 740	10 000
Utility and property costs	8 118	8 251
Computing and communication costs	5 987	5 506
Travel	2 543	2 791
Shared Services costs	2 189	2 227
Staff development and safety	1 118	1 087
Operating lease costs - accommodation	3 074	3 364
Operating lease costs	91	93
Vehicle lease and operating costs ⁽²⁾	2 437	2 462
Other vehicle and equipment operating costs	869	837
Property and risk insurance	479	441
Total supplies and services	49 470	54 466

⁽¹⁾ Includes consultancies costs which are further broken down below and audit fees paid/payable to the Auditor-General's Department of \$328 000 (\$320 000) relating to work performed under the *Public Finance and Audit Act 1987*. No other services were provided by the Auditor-General's Department.

⁽²⁾ Includes all payments to LeasePlan for leasing, operating and maintaining vehicles under short and long term hire agreements.

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

	2017	2017	2016	2016
	Number	\$'000	Number	\$'000
Below \$10 000	3	15	2	4
Above \$10 000	2	77	4	132
Total paid/payable to consultants engaged	5	92	6	136

7 Depreciation and amortisation expense

	2017	2016
	\$'000	\$'000
Depreciation		
Plant and equipment	1 909	1 900
Buildings and infrastructure	2 777	2 542
Surplus land, buildings and infrastructure	-	35
Large vessels	98	98
Total depreciation	4 784	4 575
Amortisation		
Leasehold improvements	361	459
Intangible assets	915	639
Total amortisation	1 276	1 098
Total depreciation and amortisation expense	6 060	5 673

Department of Primary Industries and Regions
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8 Grants and subsidies

	2017	2016
	\$'000	\$'000
Recurrent grants	77 640	99 864
Intra government transfers	11 727	10 010
Total grants and subsidies	89 367	109 874

Major grant program expenditure during the year includes:

South Australian River Murray Sustainability Program	41 501	68 065
Regional Development Australia	3 600	2 515
Regional Development Fund	18 404	17 638
Jobs Accelerator Fund	800	3 627
Riverland Sustainable Futures Fund	1 479	813
Economic Sustainability Program	1 090	1 640
South East Forestry Partnership Program	2 930	-

Natural disaster recovery programs

Pinery Bushfire Recovery Grants	762	30
Gawler Floodplain Recovery Grants	1 209	-
Riverland Storm Recovery Grants	502	-

Cooperative Research projects ⁽¹⁾

4 249	5 554
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Industry development and restructuring initiatives greater than \$1 million made during the year were:

Orana Foundation Research and Development Grant	1 250	-
Northern Adelaide Irrigation Scheme Feasibility Study	1 622	-

Aggregate of all other payments less than \$1 million made during the year	9 969	9 992
Total grants and subsidies	89 367	109 874

⁽¹⁾ Research expenditure mainly incurred by the South Australian Research and Development Institute working with state, national and international collaborators. This includes funding of an operating nature assisting with the engagement of research staff or resources, or support with infrastructure development and renewal to improve research capability.

9 Borrowing costs

	2017	2016
	\$'000	\$'000
Interest paid/payable on borrowings	339	222
Guarantee fees	16	27
Total borrowing costs	355	249

Department of Primary Industries and Regions
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10 Net gain/(loss) from the disposal of non-current assets

	2017	2016
	\$'000	\$'000
Land and buildings held for sale		
Proceeds from disposal	5 448	963
Disposal cost	(81)	(20)
Less net book value of assets disposed	(5 621)	(943)
Net gain/(loss) from disposal of land and buildings held for sale	(254)	-
Land and buildings		
Net book value of assets disposed	(3)	-
Net gain/(loss) from disposal of land and buildings	(3)	-
Plant and equipment		
Proceeds from disposal	115	127
Less net book value of assets disposed	(64)	(11)
Net gain/(loss) from disposal of plant and equipment	51	116
Total assets		
Proceeds from disposal	5 563	1 090
Disposal cost	(81)	(20)
Less net book value of assets disposed	(5 688)	(954)
Net gain/(loss) from disposal of assets	(206)	116

Gains/losses on disposal are recognised at the date control of asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Department of Primary Industries and Regions
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11 Other expenses

	2017	2016
	\$'000	\$'000
Publications, seed and miscellaneous stocks - cost of sales	94	116
Deemed cost of produce consumed ⁽¹⁾	505	551
Intangible assets derecognised	369	-
Bad debts and allowances for doubtful debts	7	-
Royalty payments	477	320
Workers compensation provision movement	(114)	(534)
Workers compensation liability revaluation	(366)	440
Asset impairment	21	-
Industry assistance payments	-	232
Other ⁽²⁾	103	34
Total other expenses	1 096	1 159

⁽¹⁾ Publications, seed and other miscellaneous stocks are disclosed separately from the cost of sales of agricultural produce and livestock. This line predominantly represents the value of the inventory movement within the year and excludes the cost of crop harvesting from the use of internal resources. These amounts are included within the financial statements under the notes for 'employee benefit expenses' and 'supplies and services'.

⁽²⁾ Includes shares in Australian Centre for Plant Functional Genomics Pty Ltd (ACPGF) de-recognised at a value of \$2 000 on transfer at no cost to University of Adelaide (refer note 23), and settlement of an insurance claim \$57 000.

12 Revenues from fees and charges

	2017	2016
	\$'000	\$'000
Agriculture, Biosecurity and Fisheries, consultancies and services	3 669	3 143
Rural Solutions, consultancies and services	4 565	4 856
South Australian Research and Development Institute, consultancies and services	4 502	4 384
Other	1 922	2 012
Total revenues from fees and charges	14 658	14 395

User fees and charges are categorised to reflect the nature of the income received and the division delivering the services sought.

Department of Primary Industries and Regions
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13 Advances and grants

	2017	2016
	\$'000	\$'000
State grants - received from SA Government entities	3 574	5 708
State grants - received from administered industry funds ⁽¹⁾	17 094	17 833
Commonwealth grants - Concessional Loans Schemes ⁽²⁾	150	150
Commonwealth grants - other	3 989	4 818
Industry grants	29 295	29 503
Interstate government grants	452	67
Total advances and grants revenue	54 554	58 079

Advances and grants (including contributions payments), received from all sources comprise funding for collaborative research, delivery of projects for industry development and funding from the Commonwealth to administer arrangements for financial assistance.

Grants, contributions and National Partnership payments (refer note 14) 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.

Generally, the department has obtained control or the right to receive when:

- an agreement becomes enforceable (agreements with unconditional stipulations), i.e. the earlier of when the receiving entity has formally been advised that the contribution (e.g. grant application) has been approved; agreement/contract is executed; and/or the contribution is received; or
- the enforceable stipulations specified in the agreement occur or are satisfied (agreements with conditional stipulations); that is income would be recognised for contributions received or receivable under the agreement.

	2017	2016
	\$'000	\$'000
Advances and grants were applied to the following business sectors		
South Australian Research and Development Institute ⁽³⁾	36 228	38 141
Fisheries ⁽³⁾	7 975	8 311
Biosecurity	7 160	7 043
Aquaculture ⁽³⁾	1 327	1 444
Prudential and Rural Financial Services ⁽²⁾	150	150
Regions ⁽⁴⁾	1 026	2 000
Rural Solutions	164	780
Other	524	210
Total advances and grants revenue	54 554	58 079

⁽¹⁾ Contributions from industry groups are received into the administered funds of the department (refer note A3) and may be transferred in part to PIRSA controlled to undertake specific research or to deliver projects proposed by the industry groups in their approved management plans.

⁽²⁾ Funding received from the Commonwealth for administering the various Concessional Loans Schemes.

⁽³⁾ Costs recovered from the Fisheries Research and Development Fund and the Aquaculture Resource Management Fund for the administration of licences and registration are applied to the delivery of projects in compliance, research and fishing industry development in the Division of Fisheries and Aquaculture, and South Australian Research and Development Institute. In 2016-17 the amount received from the Fisheries Research and Development Fund and the Aquaculture Resource Management Fund was \$13.6 million (\$13.7 million).

⁽⁴⁾ Funding received from the Department of Environment, Water and Natural Resources for projects deliverable from the former 'Save The River Murray Fund' (2015-16).

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14 Commonwealth revenues (National Partnership payments)

	2017	2016
	\$'000	\$'000
South Australian River Murray Sustainability Program (SARMS) ⁽¹⁾	52 500	84 000
Water Infrastructure and Pest Management in Drought Affected Areas	-	375
Pest Animal and Weed Management in Drought Affected Areas	500	1 000
Managing Established Pest Animals and Weeds	541	812
National Giant Pine Scale Eradication Program	446	-
National Water Infrastructure Development Fund - Feasibility Component	3 200	-
Total commonwealth revenues	57 187	86 187

⁽¹⁾ The SARMS is a non-recourse grant that has been recognised upon receipt. The program will support the sustainability of South Australian River Murray communities through investment in irrigation efficiencies, water returns, irrigation industry assistance and regional economic development.

National Partnership payments and Commonwealth funding were received for specific projects and to facilitate and/or reward States that deliver on nationally significant reforms.

15 Interest revenues

	2017	2016
	\$'000	\$'000
Interest	1 408	1 621
Loans to the rural sector	391	328
Total interest revenues	1 799	1 949

16 Sale of goods

	2017	2016
	\$'000	\$'000
Publications, books, maps and compact discs	5	2
Livestock	1 592	1 515
Agricultural produce	1 174	1 179
Other	277	293
Total sale of goods	3 048	2 989

17 Other income

	2017	2016
	\$'000	\$'000
Reimbursements/recoveries	1 744	1 673
Seed and other royalties	1 927	1 531
Gain/(loss) from changes in fair value biological assets ⁽¹⁾	217	239
Diesel fuel rebates	95	101
Sponsorship contributions	2	-
Reduction in allowance for doubtful debts	-	102
Other	36	35
Total other income	4 021	3 681

⁽¹⁾ The changes in fair values of livestock is reconciled along with the movement in inventory in note 22.

Department of Primary Industries and Regions
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18 Resources received free of charge

	2017	2016
Fair value of assets received free of charge ⁽¹⁾	-	9 173
First time recognition of asset ⁽²⁾	-	144
Shares received ⁽³⁾	2	-
Total resources received free of charge	2	9 317

- (1) The Lincoln Marine Science Centre was transferred from the Flinders University during 2015-16 (\$9.173 million) (refer note 25).
- (2) A parcel of land at Murray Bridge with the Minister for Agriculture, Food and Fisheries as owner was recognised for the first time during 2015-16 (\$0.144 million) (refer note 25).
- (3) Shares in Australian Centre for Plant Functional Genomics Pty Ltd (ACPGF) transferred at no cost from the Minister for Science and Information Economy during 2016-17 (refer note 23).

Resources received free of charge are recorded at their fair value.

19 Revenues from/payments to SA Government

	2017 \$'000	2016 \$'000
Revenues from SA Government		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	126 885	104 085
Appropriations received from the Treasurer's Contingency Fund	-	844
Total revenues from SA Government	126 885	104 929
Payments to SA Government		
Other payments to Consolidated Account	(5 722)	(1 186)
Total payments to SA Government	(5 722)	(1 186)
Net revenues from SA Government	121 163	103 743

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

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy, interest earned on Commonwealth funding agreements and the return of proceeds from real property sales pursuant to Premier and Cabinet Circular 114.

Department of Primary Industries and Regions
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20 Cash

	2017	2016
	\$'000	\$'000
Deposits with the Treasurer	165 633	155 847
Imprest account and cash on hand	1	7
Total cash and cash equivalents	165 634	155 854

Deposits with the Treasurer includes the following fund balances that have restricted conditions:

Funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use (i.e. the funds can only be used in accordance with the Treasurer's/Under Treasurer's approval)	13 299	8 729
Funds held pursuant to the <i>Rural Industry Adjustment and Development Act 1985</i> and other State and Commonwealth Schemes for rural financial assistance	57 813	58 149
External funds held in the nature of grants or under cooperative agreements where unspent funds may be returned to the funder	12 733	17 642
Commonwealth funds held for the SARMS Program	34 307	31 409
Commonwealth funds held pursuant to the various Concessional Loans Schemes	10 248	19 010
Deposits with the Treasurer held as working capital, but subject to Department of Treasury and Finance budget and cash alignment policies	37 233	20 908
Total deposits with the Treasurer	165 633	155 847

Cash is measured at nominal amounts.

Deposits with the Treasurer

Deposits into interest earning accounts with the Treasurer, are at call and earn a floating interest rate.

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21 Receivables

	2017	2016
	\$'000	\$'000
Current		
Receivables	4 567	6 567
Less: allowance for doubtful debts	(89)	(85)
	4 478	6 482
Loans receivable	1 224	3 753
Workers compensation recoveries	8	9
Accrued interest on loans and deposits	166	237
Other accrued revenue	7 880	4 615
GST receivable	1 960	2 111
Prepayments	58	586
Total current receivables	15 774	17 793
Expected to be recovered more than 12 months after reporting date		
Loans receivable	14 313	3 555
Workers compensation recoveries	15	18
Total expected to be recovered more than 12 months after reporting date	14 328	3 573
Total receivables	30 102	21 366

Interest rate and credit risk

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Trade receivables, prepayments and accrued revenues are non-interest bearing.

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. 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.

Refer to note 43 for further information on risk management.

Loans receivable

Loans receivable consist of various schemes including the Farm Finance Concessional Loans Scheme, Drought Concessional Loans Scheme, Drought Recovery Concessional Loans Scheme, Dairy Recovery Concessional Loans Scheme and Farm Business Concessional Loans Scheme which included Drought Assistance Loans and Dairy Recovery Loans (all schemes closed to new applicants). Loans receivable also includes the Loans to Cooperatives Scheme.

Loans to Cooperatives are agreements between the Treasurer, PIRSA and an approved loan applicant, whereby the principal borrowed by PIRSA from the Treasurer is on-lent to an approved loan applicant (refer note 29). Similarly, repayments of principal made by an approved loan applicant are returned to the Treasurer to reduce the level of borrowing made by PIRSA. The legal agreement with the loan recipient provides for a set loan term, and that the client can set interest rate structures within that period from time to time. At the end of each negotiated interest period the client can elect to repay the principal in full or part, or roll the entire balance for another interest period. The interest rate is determined by the Treasurer through South Australian Government Financing Authority (SAFA) at the time of settling the loan approval and remains fixed over the negotiated interest period. Interest periods can range between 30 days to 10 years subject to agreement through SAFA. A lending margin is added to the interest rate incurred by cooperatives to cover guarantee fees and administrative costs.

21 Receivables (continued)

Loans under the Farm Finance Concessional Loans Scheme commenced in December 2013 and were made by PIRSA to eligible loan recipients for the refinance of eligible debt held with commercial lenders as specified in the Concessional Loan Agreement. For approved loan recipients, a variable concessional interest rate applies for the five year term for each concessional loan.

The concessional interest rate set by the Commonwealth is reviewed on a six monthly basis in accordance with material changes to the Commonwealth five year bond rate. At the end of the loan term the loan must be repaid or refinanced by another financier. The Farm Finance Concessional Loans Scheme closed to new applicants on 30 June 2015.

Loans under the Drought Concessional Loans Scheme commenced in February 2015 and were made by PIRSA to eligible loan recipients where their farm business had experienced a severe financial impact due to drought, causing a financial need for the assistance, and the financial impact being experienced by their farm business was a result of the effects of drought (which is considered to be a rainfall deficiency equivalent to, or worse than, either a 1 in 10 year or a 1 in 20 year rainfall event), and if they met the other eligibility criteria as specified in the scheme guidelines. Drought Concessional Loans have a loan term of five years, with a concessional interest rate period of five years. The concessional interest rate set by the Commonwealth is reviewed on a six monthly basis in accordance with material changes to the Commonwealth five year bond rate. At the end of the loan term the loan must be repaid or refinanced by another financier. The scheme closed to new applicants on 31 October 2016.

Loans under the Drought Recovery Concessional Loans Scheme commenced in February 2016 and were made by PIRSA to eligible loan recipients where their farm business had experienced a severe financial impact due to drought, causing a financial need for the assistance, and the financial impact being experienced by their farm business was a result of the effects of drought (which is considered to be a rainfall deficiency equivalent to, or worse than, either a 1 in 50 year or a 1 in 100 year rainfall event), and if they met the other eligibility criteria as specified in the scheme guidelines. Drought Recovery Concessional Loans have a loan term of ten years, were available for new debt, for planting and restocking activities, and/or a refinance of an existing Drought Concessional loan where provided for the purpose of operating expenses and/or drought recovery and preparedness activities. The scheme closed to new applicants on 31 October 2016.

Loans under the Dairy Recovery Concessional Loans Scheme commenced in July 2016 and were made by PIRSA to assist dairy farm businesses affected through the short term crisis caused by the May 2016 decision of Murray Goulburn and Fonterra to reduce farm gate milk prices, and if they met all other eligibility criteria as specified in the scheme guidelines. Dairy Recovery Concessional Loans have a loan term of ten years, were available for debt restructuring, and/or new debt, for operating expenses and productivity enhancement measures. The scheme closed to new applicants on 31 October 2016.

Loans under the Farm Business Concessional Loans Scheme commenced in December 2016 and included two measures, Drought Assistance Concessional Loans and Dairy Recovery Concessional Loans.

Drought Assistance - where a farm business experienced a severe financial impact due to drought, causing a financial need for the assistance, and the financial impact being experienced by a farm business was a result of the effects of drought (which is considered to be a rainfall deficiency equivalent to, or worse than a 1 in 20 year rainfall event), and if they met the other eligibility criteria as specified in the scheme guidelines. Drought Assistance Concessional Loans have a loan term of ten years, were available for new debt, for planting and restocking activities, and/or a refinance of an existing Concessional loan where provided for the purpose of operating expenses and/or drought recovery and preparedness activities.

Dairy Recovery - to assist dairy farm businesses affected through the short term crisis caused by the May 2016 decision of Murray Goulburn and Fonterra to reduce farm gate milk prices, and if they met all other eligibility criteria as specified in the scheme guidelines. Dairy Recovery Concessional Loans have a loan term of ten years, were available for debt restructuring, and/or new debt, for operating expenses and productivity enhancement measures.

Both loan schemes closed to new applicants on 30 June 2017.

21 Receivables (continued)

For Drought, Drought Recovery, Dairy Recovery and Farm Business concessional loans, the concessional interest rate period is available for the ten year term. The concessional interest rate set by the Commonwealth is reviewed on a six monthly basis in accordance with material changes to the Commonwealth ten year bond rate. Interest only payments must be made at least annually for the first five years, with interest and principal repayments required for years six to ten. At the end of the loan term any remaining balance must be repaid or refinanced.

Where there is objective evidence that a loan is impaired, a provision equal to the difference between the carrying value and the present value of expected future payments is made.

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' ('other income') for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2017 \$'000	2016 \$'000
Movement in the allowance for doubtful debts (impairment loss)		
Carrying amount at the beginning of the period	85	197
Increase/(decrease) in the allowance for doubtful debts	7	(102)
Amounts written off	(3)	(10)
Carrying amount at the end of the period	89	85

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22 Inventories

	2017 \$'000	2016 \$'000
Current inventories		
Biological assets		
Livestock (at fair value less estimated costs to sell)	1 783	1 482
Agricultural produce (at fair value less estimated costs to sell)	287	259
Total biological assets	2 070	1 741
Other inventories		
Chemicals and other (at the lower of cost and net realisable value)	92	54
Fuel and related items (at the lower of cost and net realisable value)	34	35
Wool (at the lower of cost and net realisable value)	-	17
Publications (at the lower of cost and net realisable value)	20	-
Total other inventories	146	106
Total current inventories	2 216	1 847
Total inventories	2 216	1 847

Biological assets are livestock valued at fair value less estimated costs to sell. Agricultural produce, including wool, fruit and harvested crops is valued at fair value less estimated costs to sell, using level 2 inputs. Gains and losses resulting from measurement at fair value, and from changes in fair value, are recognised in the Statement of Comprehensive Income.

Fair value for biological assets and agricultural produce has been determined by reference to quoted prices in the markets in which the produce is ordinarily sold, reduced by estimated point of sale costs that include commissions, packing and handling, brokerage selling charges and levies from regulatory bodies.

Other inventories are measured at the lower of cost and net realisable value.

Inventories include chemicals, fuel, seed stocks and other goods held either for sale or distribution at no or nominal cost in the ordinary course of business. It excludes depreciable assets.

Inventories held for distribution, for no or nominal consideration, are measured at cost and adjusted when applicable for any loss of service potential.

Cost is measured on the basis of the first-in, first-out method or using the weighted average price of the stock purchased and on hand. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

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

Department of Primary Industries and Regions
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22 Inventories (continued)

	Agricultural produce \$'000	Livestock \$'000
Balance at 1 July 2016	259	1 482
Acquisitions	118	559
Sales	(755)	(1 125)
Used as feed stock	(388)	-
Harvests transferred to inventories	1 053	-
Increase/(decrease) due to natural accretion	-	671
Inventory changes (biological growth)	-	(21)
Change in fair value less estimated costs to sell	-	217
Balance at 30 June 2017	287	1 783
Current	287	1 783
Total	287	1 783

Agricultural activities are carried on to assist with research, but are conducted on a commercial basis. At 30 June 2017 inventory included 8 288 sheep, 1 053 cattle and 1 570 tonnes of crops and grain.

Production for the year included 488 tonnes of grapes and fruit, 6 131 lambs, 121 calves and 3 236 tonnes of other grain crops.

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23 Other financial assets

	2017	2016
	\$'000	\$'000
Non-current		
Investments in shares	4 518	4 518
Total other financial assets	4 518	4 518

Investments are primarily held to secure long term benefits from research partnerships and access to resources (water entitlements). The department's investments include:

- Ordinary shares in Australian Grain Technologies Pty Ltd (AGT), a joint venture entity involved in research to assist wheat breeding programs. The purchase consideration for these shares consisted of a mixture of cash and leased facilities. The department holds joint control along with the University of Adelaide, Grains Research and Development Corporation and Vilmorin & CIE SA. The department's 14.8% (14.8%) shareholding has been recognised at cost.
- Shares in Barossa Infrastructure Limited (\$12 500) acquired in 2000-01 and a further investment in 2014-15 (\$17 500) to secure a water entitlement for the department's research farm located at Nuriootpa. The investments have an associated water infrastructure levy payable under a fixed schedule calculated on the mega litres of water allocated under the scheme. The remaining commitment is reflected under note 34 'Expenditure commitments-other'.
- The Government's 17% shareholding in the Australian Centre for Plant Functional Genomics Pty Ltd (ACPFG) was transferred on 1 September 2016 at no cost from the Minister for Science and Information Economy.

ACPFG conducts research in innovative applications of plant genomics technology to develop improved agricultural products. ACPFG's shareholders are the Grains Research and Development Corporation, the South Australian and Victorian Governments, and the Universities of Adelaide, Melbourne, Queensland and South Australia.

Under ACPFG's strategic plan developed for the period 2016-17 to 2020-21, a new funding and business model was proposed. As a result of a special resolution put to the annual general meeting of ACPFG Pty Ltd on 23 November 2015 it was proposed to wind up ACPFG Pty Ltd and to have all assets (including IP assets) transferred to a new not-for-profit company (ACPFG Ltd), limited by guarantee, with some or all of the existing investors as members of the new entity. The new company ACPFG Limited would be a controlled entity of the University of Adelaide.

The Government's desire to maintain membership in the new company was connected to on-going funding support for the new entity over the five year period, which was not available. The Government's minor shareholding in ACPFG was transferred at no cost to the University of Adelaide as per the ACPFG shareholder exit deed dated 19 January 2017.

The department measures financial assets at historical cost.

Impairment of financial assets is assessed by reviewing external or internal evidence for indicators of changes that occurred in the period, or are expected to occur in the near future, in the technological, market, economic or legal environment of the investee.

	2017	2016
	\$'000	\$'000
Movement in financial assets		
Carrying amount at 1 July	4 518	4 518
Investments received	2	-
Investments transferred	(2)	-
Carrying amount at 30 June	4 518	4 518

For further information on risk management refer to note 43.

Department of Primary Industries and Regions
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24 Non-current assets classified as held for sale

	2017	2016
	\$'000	\$'000
Land, buildings and infrastructure	-	2 976
Total non-current assets classified as held for sale	-	2 976

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

The department reviews its asset base annually. Property, plant and equipment that is surplus to requirements or no longer meets current business needs are regularly disposed of by sale or auction.

Disposal of properties at Flaxley and Lenswood were completed during the year.

Reconciliation of non-current assets classified as held for sale

The following table shows the movement of non-current assets held for sale during 2016-17 and 2015-16.

	2017	2016
	\$'000	\$'000
Carrying amount at the beginning of the period	2 976	3 919
Assets reclassified from property, plant and equipment	2 666	-
Impairment	(21)	-
Disposals	(5 621)	(943)
Carrying amount at the end of the period	-	2 976

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25 Property, plant and equipment

	2017	2016
	\$'000	\$'000
Land and buildings		
Land at cost (deemed fair value)	40	40
Land at fair value	23 214	22 614
Buildings and infrastructure at cost (deemed fair value)	2 752	4 664
Buildings and infrastructure at fair value	78 791	67 875
Accumulated depreciation	(10 063)	(7 425)
Surplus land, buildings and infrastructure at fair value	-	2 950
Accumulated depreciation	-	(140)
Constructions and works in progress at cost	1 956	5 856
Total land and buildings	96 690	96 434
Leasehold improvements		
Leasehold improvements at cost (deemed fair value)	5 233	5 223
Accumulated amortisation	(3 500)	(3 139)
Total leasehold improvements	1 733	2 084
Plant and equipment		
Plant and equipment at cost (deemed fair value)	37 230	35 239
Accumulated depreciation	(24 048)	(23 204)
Construction and works in progress at cost	549	510
Total plant and equipment	13 731	12 545
Large vessels		
Large vessels at fair value	1 000	1 000
Accumulated depreciation	(196)	(98)
Total large vessels	804	902
Bearer plants		
Orchards and vineyards at cost (deemed fair value)	106	156
Total bearer plants	106	156
Total property, plant and equipment	113 064	112 121

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25 Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2016-17.

	Land	Buildings and infrastructure	Surplus land, buildings and infrastructure	Leasehold improvements	Bearer plants
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2016	22 654	65 114	2 810	2 084	156
Acquisitions	600	-	-	10	-
Assets reclassified to held for sale	-	-	(2 666)	-	-
Disposals	-	(3)	-	-	-
Depreciation/amortisation expense	-	(2 777)	-	(361)	-
Revaluation increment/(decrement) ⁽¹⁾	-	-	(407)	-	-
Transfer between asset classes	-	9 146	263	-	-
Biologicals - movements	-	-	-	-	(50)
Carrying amount at 30 June 2017	23 254	71 480	-	1 733	106

	Plant and equipment	Large vessels	Constructions and works in progress - Plant and equipment	Constructions and works in progress - Buildings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2016	12 035	902	510	5 856	112 121
Acquisitions	1 875	-	1 284	5 509	9 278
Assets reclassified to held for sale	-	-	-	-	(2 666)
Disposals	(64)	-	-	-	(67)
Depreciation/amortisation expense	(1 909)	(98)	-	-	(5 145)
Revaluation increment/(decrement) ⁽¹⁾	-	-	-	-	(407)
Transfer between asset classes	1 245	-	(1 245)	(9 409)	-
Biologicals - movements	-	-	-	-	(50)
Carrying amount at 30 June 2017	13 182	804	549	1 956	113 064

⁽¹⁾ Revaluation of surplus land, buildings and infrastructure immediately preceding reclassification to held for sale.

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25 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	Buildings and infrastructure	Surplus land, buildings and infrastructure	Leasehold improvements	Bearer plants
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2015	21 520	59 389	2 845	1 643	161
Acquisitions	-	-	-	900	-
Disposals	-	-	-	-	-
Depreciation/amortisation expense	-	(2 542)	(35)	(459)	-
Transfer between asset classes	-	84	-	-	-
Assets received free of charge ⁽¹⁾	990	8 183	-	-	-
First time recognised assets ⁽²⁾	144	-	-	-	-
Biologicals - movements	-	-	-	-	(5)
Carrying amount at 30 June 2016	22 654	65 114	2 810	2 084	156

	Plant and equipment	Large vessels	Constructions and works in progress - Plant and equipment	Constructions and works in progress - Buildings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2015	10 686	1 000	308	404	97 956
Acquisitions	2 912	-	550	5 536	9 898
Disposals	(11)	-	-	-	(11)
Depreciation/amortisation expense	(1 900)	(98)	-	-	(5 034)
Transfer between asset classes	348	-	(348)	(84)	-
Assets received free of charge ⁽¹⁾	-	-	-	-	9 173
First time recognised assets ⁽²⁾	-	-	-	-	144
Biologicals - movements	-	-	-	-	(5)
Carrying amount at 30 June 2016	12 035	902	510	5 856	112 121

⁽¹⁾ The Lincoln Marine Science Centre was transferred from Flinders University during 2015-16. The land and building assets were recognised at their written down value immediately prior to transfer (refer note 18).

⁽²⁾ A parcel of land at Murray Bridge with the Minister for Agriculture, Food and Fisheries as owner was recognised for the first time during 2015-16 (refer note 18).

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25 Property, plant and equipment (continued)

Valuation of land, buildings and infrastructure

Land, buildings and infrastructure were independently reviewed and revalued to fair value as at 30 June 2013, by Liquid Pacific Pty Ltd, in accordance with AASB 116 *Property, Plant and Equipment*. The valuer arrived at fair value using the market approach based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted 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 the assets; the size, condition, location. The valuation was based on a combination of internal records, specialised knowledge and the acquisition/transfer costs.

A desktop review of the movement in property, building and infrastructure values was also undertaken by Liquid Pacific Pty Ltd as at 30 June 2017. Land and building and infrastructure assets values were estimated to have changed by +5.73% and -8.54% respectively on aggregate 30 June 2013 values. The movement from the last formal valuation appraisal is not considered material and has not been reflected in the financial statements.

Land and buildings and infrastructure assets acquired since the last formal revaluation are deemed to be at fair value.

Valuation of large vessels

The department's purpose built high speed patrol vessel 'Southern Ranger' used for South Australia's Fisheries and Aquaculture operations was independently reviewed by Southern Marine Brokers Pty Ltd and revalued to fair market value as at 24 April 2015. The market value appraisal was arrived at from market research and recent market evidence through Southern Marine Brokers Pty Ltd. This asset is classified at level 3.

Carrying amount of plant and equipment

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

Impairment

There were no indications of impairment of property, plant and equipment, infrastructure and intangible assets at 30 June 2017.

26 Intangible assets

	2017 \$'000	2016 \$'000
Software		
Computer software	15 491	14 556
Accumulated amortisation	(10 820)	(10 023)
Total software	4 671	4 533
 Computer software development (works in progress)	 1 830	 1 054
 Water and convertible accommodation lease rights at cost ⁽¹⁾	 580	 582
 Total intangible assets	 7 081	 6 169

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26 Intangible assets (continued)

Reconciliation of intangibles

The following table shows the movement of intangibles during 2016-17.

	Computer software \$'000	Computer software development \$'000	Water and convertible accommodation lease rights \$'000	Other \$'000	Total \$'000
Carrying amount at 1 July 2016	4 533	1 054	582	-	6 169
Additions	15	2 183	-	-	2 198
Capitalised	-	-	-	20	20
Disposals	-	-	-	(20)	(20)
Reduction of lease rights	-	-	(2)	-	(2)
Transfer between asset classes	1 038	(1 038)	-	-	-
Amortisation expense	(915)	-	-	-	(915)
Derecognition	-	(369)	-	-	(369)
Carrying amount at 30 June 2017	4 671	1 830	580	-	7 081

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

	Computer software \$'000	Computer software development \$'000	Water and convertible accommodation lease rights \$'000	Total \$'000
Carrying amount at 1 July 2015	3 824	384	114	4 322
Additions	145	1 873	470	2 488
Reduction of lease rights	-	-	(2)	(2)
Transfer between asset classes	1 203	(1 203)	-	-
Amortisation expense	(639)	-	-	(639)
Carrying amount at 30 June 2016	4 533	1 054	582	6 169

- (1) An agreement secures access to water resources for the research farm operated by the South Australian Research and Development Institute at Nuriootpa. This provides a perpetual right to an annual water allocation. This right is valued at cost determined from an infrastructure levy, payable in instalments to the water provider. Where water use restrictions apply within the year the value of the resource is diminished and an impairment allowance is recognised, conversely where there are no restrictions the impairment is removed. Water allowances are now at 100% (100%), with no rationing.

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

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27 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 hierarchy based on the level of inputs used in measurement as follows:

Fair value measurements at 30 June 2017		2017	Level 2	Level 3
	Note	\$'000	\$'000	\$'000
Recurring fair value measurements				
Land	25	23 254	23 254	-
Buildings and infrastructure specialised		69 550	-	69 550
Buildings non specialised		1 930	1 930	-
Leasehold improvements		1 733	-	1 733
Bearer plants		106	-	106
Plant and equipment		13 182	-	13 182
Large vessels		804	-	804
Total recurring fair value measurements		110 559	25 184	85 375
Total fair value measurements		110 559	25 184	85 375

Fair value measurements at 30 June 2016		2016	Level 2	Level 3
	Note	\$'000	\$'000	\$'000
Recurring fair value measurements				
Land	25	22 654	22 654	-
Buildings and infrastructure specialised		62 999	-	62 999
Buildings non specialised		2 115	2 115	-
Surplus land, buildings and infrastructure		2 810	1 520	1 290
Leasehold improvements		2 084	-	2 084
Bearer plants		156	-	156
Plant and equipment		12 035	-	12 035
Large vessels		902	-	902
Total recurring fair value measurements		105 755	26 289	79 466

Non-recurring fair value measurements

Land, buildings and infrastructure held for sale		2 976	2 976	-
Total non-recurring fair value measurements ⁽¹⁾		2 976	2 976	-

Total fair value measurements		108 731	29 265	79 466
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⁽¹⁾ The department has measured land, buildings and infrastructure held for sale at the lower of fair value less costs to sell and carrying amount.

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 used to derive level 2 and 3 fair values are at note 25.

During 2016-17 and 2015-16, the department had no valuations categorised into level 1. There were no transfers of assets between level 1 and 2 fair value hierarchy levels and there were no changes in valuation technique.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
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27 Fair value measurement (continued)

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

Reconciliation of level 3 recurring fair value measurements at 30 June 2017

	Buildings and infrastructure specialised \$'000	Surplus land, buildings and infrastructure \$'000	Plant and equipment \$'000	Large vessels \$'000	Leasehold improvements \$'000	Bearer plants \$'000
Opening balance at 1 July 2016	62 999	1 290	12 035	902	2 084	156
Acquisitions	-	-	1 875	-	10	-
Assets reclassified to held for sale	-	(1 553)	-	-	-	-
Transfer between asset classes	9 146	263	1 245	-	-	-
Disposals	-	-	(64)	-	-	-
Biologicals - movements	-	-	-	-	-	(50)
Subtotal	72 145	-	15 091	902	2 094	106
Depreciation/amortisation	(2 595)	-	(1 909)	(98)	(361)	-
Subtotal	(2 595)	-	(1 909)	(98)	(361)	-
Closing balance at 30 June 2017	69 550	-	13 182	804	1 733	106

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
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27 Fair value measurement (continued)

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

	Buildings and infrastructure specialised \$'000	Surplus land, buildings and infrastructure \$'000	Plant and equipment \$'000	Large vessels \$'000	Leasehold improvements \$'000	Bearer plants \$'000
Opening balance at 1 July 2015	57 091	1 325	10 686	1 000	1 643	161
Acquisitions	-	-	2 912	-	900	-
Transfer between asset classes	84	-	348	-	-	-
Disposals	-	-	(11)	-	-	-
Assets received free of charge	8 183	-	-	-	-	-
Biologicals - movements	-	-	-	-	-	(5)
Subtotal	65 358	1 325	13 935	1 000	2 543	156
Depreciation/amortisation	(2 359)	(35)	(1 900)	(98)	(459)	-
Subtotal	(2 359)	(35)	(1 900)	(98)	(459)	-
Closing balance at 30 June 2016	62 999	1 290	12 035	902	2 084	156

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
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28 Payables

	2017	2016
	\$'000	\$'000
Current		
Creditors	2	1
Accrued expenses	12 554	10 346
Accrued interest on borrowings	151	110
Paid parental leave scheme	8	15
Employment on-costs	1 850	1 767
Total current payables	14 565	12 239
Expected to be settled more than 12 months after reporting date		
Employment on-costs	2 284	2 334
Total expected to be settled more than 12 months after reporting date	2 284	2 334
Total payables	16 849	14 573

Employment on-costs include Payroll Tax, workers compensation levies and superannuation contributions. 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 dates relates to any contributions due but not yet paid to the South Australian Superannuation Board.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave remains unchanged from the 2015-16 rate (40%). These rates are used in the employment on-cost calculation.

The employer superannuation on-cost rate has decreased from the 2015-16 rate of 11.03% to 10.50%, reflecting the superannuation mix of the department's employee profile at 30 June 2017.

Paid Parental Leave Scheme – represents amounts which the department has received from the Commonwealth Government to forward onto eligible employees via the department's standard payroll process. 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.

Interest rate risk

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owing but unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first 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 represents fair value due to the amounts being payable on demand.

For further information on risk management refer to note 43.

Department of Primary Industries and Regions
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29 Borrowings/financial liabilities

	2017	2016
	\$'000	\$'000
Current		
Indebtedness to the Treasurer	11 224	22 740
Total current borrowings	11 224	22 740
Non-current		
Indebtedness to the Treasurer	14 488	3 555
Total non-current borrowings	14 488	3 555
Total borrowings	25 712	26 295

The department measures financial liabilities including borrowings/debt at historical cost.

Borrowings consist of funds received from the Treasurer for Loans to Cooperatives and from the Commonwealth Government with respect to the Farm Finance, Drought and Drought Recovery, Dairy Recovery, and Farm Business Concessional Loans schemes.

Borrowings for Loans to Cooperatives are agreements between the Treasurer, PIRSA and an approved loan applicant, whereby the loan principal borrowed by PIRSA from the Treasurer is on-lent to an approved loan applicant (refer note 21). Similarly, repayments of principal made by an approved loan applicant are returned to the Treasurer to reduce the level of borrowing made by PIRSA.

Borrowings incurred on behalf of Cooperatives are recognised at cost. The legal agreement with the loan recipient provides for a set loan term, and that the client can set interest rate structures within that period from time to time. At the end of each negotiated interest period the client can elect to repay the principal in full or part, or roll the entire balance for another interest period. The interest rate is determined by the Treasurer through SAFA at the time of settling the loan approval and remains fixed over the negotiated interest period. Interest periods can range between 30 days to 10 years subject to agreement through SAFA.

Borrowings by PIRSA under the Farm Finance Concessional Loans Scheme were receivable from the Commonwealth where applicants for financial assistance met the eligibility criteria of the scheme. The Commonwealth paid the funds in advance in agreed tranches, which were held in a special deposit account pending drawdown (refer note 21). Concessional loan payments were made by PIRSA to eligible applicants and were available for debt restructuring. The Farm Finance Concessional Loans scheme closed to new applicants on 30 June 2015 and the uncommitted (borrowing) amount was returned to the Commonwealth in 2015-16.

Borrowings by PIRSA under the Drought Concessional Loans Scheme were receivable from the Commonwealth where applicants for financial assistance met the eligibility criteria of the scheme. The Commonwealth paid the funds in advance in agreed tranches, which were held in a special deposit account pending drawdown (refer note 21). Concessional loan payments were made by PIRSA to eligible applicants and were available for debt refinancing, operating expenses, drought recovery and preparedness activities. Applications for the 2014-15 Drought Concessional Loans Scheme closed on 30 June 2015 and the uncommitted (borrowing) amount was returned to the Commonwealth in 2015-16. Round two commenced for the 2015-16 year in October 2015.

Borrowings by PIRSA under the Drought Recovery Concessional Loans Scheme were receivable from the Commonwealth where applicants for financial assistance met the eligibility criteria of the scheme. The Commonwealth paid the funds in advance in agreed tranches, which were held in a special deposit account pending drawdown (refer note 21). Concessional loan payments were made by PIRSA to eligible applicants and were available for new debt for planting and restocking activities; and/or a refinance of an existing Drought Concessional loan where provided for the purpose of operating expenses and/or drought recovery and preparedness activities.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
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29 Borrowings/financial liabilities (continued)

In May 2016, the Commonwealth Government announced an extension of both the Drought and Drought Recovery Concessional Loans Schemes for a further four months to 31 October 2016 and included a new Dairy Recovery Concessional Loans Scheme as part of the existing Drought Recovery Concessional Loans scheme, with additional loan funding allocated to the Drought Recovery / Dairy Recovery Concessional Loans Scheme.

Applications for the Dairy Recovery Concessional Loans Scheme opened on 1 July 2016 and closed on 31 October 2016 along with the Drought Recovery Concessional Loans Scheme and the uncommitted (borrowing) amount was returned to the Commonwealth in 2016-17.

Borrowings by PIRSA under the Farm Business Concessional Loans Scheme were receivable from the Commonwealth where applicants for financial assistance met the eligibility criteria of the scheme. The Commonwealth paid the funds in advance in agreed tranches, which are held in a special deposit account pending drawdown (refer note 21). Applications for the Farm Business Concessional Loans Scheme closed on 30 June 2017. Concessional loan payments will be made by PIRSA to eligible applicants during 2017-18 with the uncommitted (borrowing) amount to be returned to the Commonwealth.

In June 2016 the Commonwealth Government committed to establishing a Regional Investment Corporation (RIC) as the single administrator of Farm Business Concessional Loans. Pending the establishment of the RIC the Commonwealth has requested States and Territories to continue delivery of programs under transitional arrangements that apply until June 2018.

For further information on risk management refer to note 43.

	2017	2016
	\$'000	\$'000
Movement in financial liabilities/borrowings		
Carrying amount at the beginning of the period	26 295	29 003
Additional borrowing during the year	15 624	20 300
Repayment of borrowings	(16 207)	(23 008)
Carrying amount at the end of the period	25 712	26 295

30 Employee benefits

	2017	2016
	\$'000	\$'000
Current		
Annual leave	6 140	5 634
Long service leave	1 864	2 034
Accrued salaries and wages	1 370	1 086
Skills and experience retention leave	755	772
Total current employee benefits	10 129	9 526
Non-current		
Long service leave	24 230	24 289
Total non-current employee benefits	24 230	24 289
Total employee benefits	34 359	33 815

Department of Primary Industries and Regions
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30 Employee benefits (continued)

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave liability.

AASB 119 *Employee Benefits* 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 increased from 2015-16 (2.0%) to 2016-17 (2.5%).

This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$982 000 and employee benefit expense of \$982 000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions - including 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 salary inflation rate.

In accordance with AASB 119 *Employee Benefits* the liability for annual leave is recognised at the amount expected to be paid when the liability is settled. All annual leave is considered to be a current liability in accordance with AASB 101 *Presentation of Financial Statements*.

31 Provisions

	2017 \$'000	2016 \$'000
Current		
Provision for workers compensation	425	502
Total provisions current	425	502
Non-current		
Provision for workers compensation	722	1 125
Total provisions non-current	722	1 125
Total provisions	1 147	1 627
Carrying amount at the beginning of the period	1 627	1 721
Reductions arising from payments	(484)	(351)
Revaluation of liability	(366)	440
Additional provisions recognised	370	(183)
Carrying amount at the end of the period	1 147	1 627

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2017 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 of workers compensation claims.

Department of Primary Industries and Regions
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32 Other liabilities

	2017	2016
	\$'000	\$'000
Current		
Lease incentive	132	132
Unearned revenue	15 422	16 631
Total other current liabilities	15 554	16 763
Non-current		
Lease incentive	1 011	1 143
Other liabilities	2	5
Total other non-current liabilities	1 013	1 148
Total other liabilities	16 567	17 911

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

33 Equity

	2017	2016
	\$'000	\$'000
Retained earnings	191 340	172 103
Asset revaluation surplus	36 641	38 527
Total equity	227 981	210 630

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

34 Unrecognised contractual commitments

Capital commitments

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

	2017	2016
	\$'000	\$'000
Within one year	2 002	3 208
Total capital commitments	2 002	3 208

Capital commitments relate to current contractual agreements for the development and supply of plant and equipment.

Expenditure commitments – other

	2017	2016
	\$'000	\$'000
Within one year	77 310	56 250
Later than one year but not longer than five years	15 871	39 003
Total other commitments	93 181	95 253

The department's other commitments include amounts owing under fixed price contracts outstanding at the end of the reporting period and future amounts payable under approved grant and funding agreements where payment by the department is conditional on the grant applicant meeting any conditions precedent in the agreement. Non-performance by the applicant would result in a withdrawal of the grant offer.

Department of Primary Industries and Regions
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34 Unrecognised contractual commitments (continued)

Operating lease commitments

	2017	2016
	\$'000	\$'000
Within one year	4 962	4 853
Later than one year and not later than five years	11 314	11 518
Later than five years	9 713	12 194
Total operating lease commitments	25 989	28 565

Representing:

Non-cancellable operating leases	25 989	28 565
Total operating lease commitments	25 989	28 565

The department's non-cancellable operating leases are for office accommodation and equipment. Office accommodation is leased from the Department of Planning, Transport and Infrastructure. Contingent rental provisions, within the lease agreements, allow for the review of lease payments every two years. Any changes in lease payments are based on market rates. Options exist to renew the leases at the end of their terms. Rent is payable monthly in advance.

Non-cancellable operating leases have also been entered into for plant and office equipment. The rental period may continue beyond the expiry date expressed in the initial agreement, in which case, the agreement extends until either party gives written notice of their intention to terminate the agreement. Rent for plant and office equipment is generally payable in advance.

The department's non-cancellable operating leases also include agreements with LeasePlan for long term hire of light vehicles.

35 Contingent assets and liabilities

Contingent assets

The department owns intangible assets consisting of intellectual property from its core research activities. These assets are not recognised in the financial statements due to difficulties in determining reliable fair values.

The department may also accept bank guarantees or other forms of securities like mortgages over land as security for loans advanced. Bank guarantees held at 30 June 2017, have a potential realisable value of \$4.0 million (\$3.7 million). The department may claim on these funds if the borrower defaults on the conditions of the loan agreement.

The department also holds contractor performance guarantees that have a potential realisable value of \$0.3 million (\$0.3 million).

Contingent liabilities

The nature of activities that the department is involved in can create potential exposure to environmental matters, which the department may be required to remedy in the future.

The department has some potential outstanding litigation in a number of these areas.

Certain matters associated with contaminants such as contaminated land and hazardous materials have been identified and are managed in accordance with recognised standards, minimising the likelihood of future environmental risks to Government. Work is progressing to determine any liabilities that may be associated with this role. At this time, the financial impact cannot be reliably estimated.

36 Transferred functions

There were no transferred functions during the 2016-17 financial year.

Department of Primary Industries and Regions
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37 Trust funds

Pleura Pneumonia Fund

This fund consists of monies belonging to all State Governments and the Federal Government. The fund is controlled by the Standing Committee of Agriculture and all expenditure is subject to the approval of the Chairman. Funds are to be used principally for publication of the history of the Pleura Pneumonia Eradication Campaign and are held in a Section 21 Deposit Account.

	2017 \$'000	2016 \$'000
Operations		
Revenue	-	1
Expenses	-	83
Net operating surplus	-	(82)
Net assets		
Cash at bank	15	15
Net assets	15	15
Funds		
Balance of funds at beginning of period	15	97
Net receipts / (net payments)	-	(82)
Fund balance at end of period	15	15

Daniel Livingston Scholarship

This fund consists of monies bequested to the State Government by a 1937-38 memorandum to provide an annual student award in the University of Adelaide School of Agriculture, Food and Wine. Disbursements from the fund require the approval of the Minister or the Minister's delegate. The fund is held as a Section 21 Deposit Account.

Administration of the fund transferred from the Department of Treasury and Finance during the year.

	2017 \$'000	2016 \$'000
Operations		
Revenue	-	-
Expenses	-	-
Net operating surplus	-	-
Net assets		
Cash at bank	35	-
Net assets	35	-
Funds		
Balance of funds at beginning of period	-	-
Transfer of funds	35	-
Net receipts / (net payments)	-	-
Fund balance at end of period	35	-

Department of Primary Industries and Regions
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38 Remuneration of board and committee members

Members of boards/committees relating to the ongoing activities of PIRSA who were entitled to receive remuneration during the 2016-17 financial year are listed below in the following summary table:

The number of members whose remuneration received or receivable falls within the following bands:	2017	2016
\$Nil	79	88
\$1 - \$9 999	27	47
\$10 000 - \$19 999	-	1
Total number of members	106	136

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 \$25 000 (\$52 000).

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.

Members during 2016-17 financial year:

Aquaculture Tenure Allocation Board

Mr G S Davis	(Presiding member)
Mr J C Anderson	(deputy member)
Ms C S Cooper	
Mr D C Ellis	
Ms A J Harfield	(deputy member)
Ms R C Healy	
Ms C L Rigg	
Mr W L Rudd	

Eyre Peninsula Farming System Board

Mr S Guerin	(Chair)
Mr B Smith	(Deputy Chair)
Mr A Bates	
Mr C James	(retired 6 September 2016)
Mr W Matthews	(appointed 6 September 2016)
Mr S Mayfield	
Dr G McDonald	(retired 6 September 2016)
Mr G Scholz	
Mr M Stanley	
Prof A Tilbrook *	
Mr D Trezona	

Department of Primary Industries and Regions
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38 Remuneration of board and committee members (continued)

Genetically Modified Crops Advisory Committee

Hon J A W Levy	(Presiding member)	(re-appointed 26 August 2016)
Dr R A Ankeny		(re-appointed 26 August 2016)
Dr G Annison		(re-appointed 26 August 2016)
Ms H L Baldock		(re-appointed 26 August 2016)
Mr M S Bowden		(re-appointed 26 August 2016)
Mr P Gibbs		(appointed 26 August 2016)
Mr A M Hannon		(re-appointed 26 August 2016)
Ms J E Hughes		(term expired 25 August 2016)
Dr P A McMichael		(appointed 26 August 2016)
Dr K M Ophel-Keller *		(re-appointed 26 August 2016)
Mr N C Pontifex		(re-appointed 26 August 2016)
Mr R J Way		(term expired 25 August 2016)

Meat Food Safety Advisory Committee

Mr G L Martin	(Chair)	
Ms T M Ackland		
Ms A Centofanti *	(deputy member)	
Ms S K DiCicco		
Ms L A Fell		
Mr L D Hindson	(deputy member)	
Mr F P Knoll		
Mrs K Koto		
Dr B R Lloyd	(deputy member)	
Mr W R Lowe	(deputy member)	
Mr G Martin *		(retired 17 February 2017)
Dr B Nimalaraja	(deputy member)	
Mr G D Raven *		
Mrs M S Rock		
Mr P L Sandercock		
Mr C Scarvelis	(deputy member)	
Dr M E Sexton *	(deputy member)	
Ms N B Shelbourn		
Ms D Skara	(deputy member)	
Dr A P Wigg		

Department of Primary Industries and Regions
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38 Remuneration of board and committee members (continued)

PIRSA Animal Ethics Committee

Mr B Hughes	(Chair)	(appointed 21 April 2017)
Mrs C M Anderson		(resigned 20 February 2017)
Ms S L Baird		(re-appointed 16 April 2017)
Dr R Barekatin *		(re-appointed 16 April 2017)
Ms S Barnes *		(re-appointed 16 April 2017)
Mrs J G Cooper		(re-appointed 16 April 2017)
Dr M Deveney *		(re-appointed 16 April 2017)
Dr R Eyers		(appointed 21 April 2017)
Dr J Hocking-Edwards *		(resigned 29 August 2016)
Dr D W Jones		(re-appointed 16 April 2017)
Mrs K McGrath		(re-appointed 16 April 2017)
Ms A B Mitchell		(resigned 30 November 2016)
Dr J Nicholls		(appointed 21 April 2017)
Ms S Rudiger		(re-appointed 16 April 2017)
Prof A Tilbrook *		(resigned 28 April 2017)
Mr H van der Moer *		(resigned 19 April 2017)
Dr A Whittaker		(re-appointed 16 April 2017)
Ms S Wyatt *		(re-appointed 16 April 2017)
Ms J Zemitis *		(re-appointed 16 April 2017)
Ms H Zemitis		(appointed 21 April 2017)

PIRSA Audit and Risk Committee

Ms Y Sneddon	(Chair)	(re-appointed 24 January 2017)
Ms A E Harvey	(Deputy Chair)	(re-appointed 24 January 2017)
Mr D Casement *		(re-appointed 24 January 2017)
Ms C Ciui *		(re-appointed 24 January 2017)
Mr P Dietman *		(retired 14 April 2017)
Ms A Gabrielli *		(resigned 2 June 2017)
Mr T Goodes *		(appointed 17 February 2017)
Ms A Lloyd-Wright *		(appointed 24 January 2017)
Ms P Mooney *		(retired 14 April 2017)
Dr K M Ophel-Keller *		(appointed 24 January 2017)
Ms B Payne *		(retired 30 June 2017)
Mr R Robinson *		(re-appointed 24 January 2017)
Mr J Ross *		(appointed 24 January 2017)
Mr W Zacharin *		(retired 14 April 2017)

Rural Assistance Appeals Committee

Mr D J Hollands	(Chair)	(re-appointed 1 December 2016)
Ms J L Collins *		(re-appointed 1 December 2016)
Ms J A Long		(re-appointed 1 December 2016)

38 Remuneration of board and committee members (continued)

SA River Murray Sustainability Program Appeals Committee

Mr P Dietman *	(Chair)	(appointed 12 July 2016)
Ms A E Harvey		
Mr M O'Shea *		

SA River Murray Sustainability Program Expert Assessment Panel

Mr D Mutton	(Chair)
Mr P J Cole	
Mr D Cutting *	
Ms D M Davidson	
Ms N J Jachmann	

SA River Murray Sustainability Program Steering Committee

Mr R G Kerin	(Chair)
Ms M Akeroyd	
Mr D Casement *	
Mr D Jordan *	
Mayor N T Martinson	
Mr J W Parish	
Ms J Podoliak	
Ms N Sincok *	
Ms S R Starick	
Ms T Stefanovic	

** Pursuant to the Department of the Premier and Cabinet Circular No. 016, government employees do not receive any remuneration for board/committee duties during the financial year.*

Department of Primary Industries and Regions
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39 Related party transactions

The department is a government administrative unit and is wholly owned and controlled by the Crown.

Related parties of the department include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Significant transactions with government related entities

The department had no significant transactions with government related entities.

Collectively, but not individually significant transactions with government related entities

Quantitative information about transactions and balances between the Department for Primary Industries and Regions and other SA Government controlled entities are disclosed at note 41.

Key management personnel

Key management personnel of the department include the two Ministers, the Chief Executive and the seventeen members of the Executive Team who have responsibility for the strategic direction and management of the department. The compensation detailed below excludes salaries and other benefits the Minister for Agriculture, Food and Fisheries and the Minister for Regional Development receive. The Ministers' remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

	2017 \$'000
Compensation	
Salaries and other short term employee benefits	3 038
Post-employment benefits	340
Total compensation	3 378

Transactions with key management personnel and other related parties

There were no transactions with key management personnel and other related parties entered into by the department.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
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40 Cash flow reconciliation

	2017	2016
	\$'000	\$'000
Reconciliation of cash - cash at year end as per:		
Statement of Cash Flows	165 634	155 854
Statement of Financial Position	165 634	155 854
Reconciliation of net cash provided by operating activities to net cost of providing services		
Net cash provided by operating activities	24 490	15 585
Less revenue from SA Government	(126 885)	(104 929)
Add payments to SA Government	5 722	1 186
Add/(less) non cash items		
Depreciation and amortisation	(6 060)	(5 673)
Gain/(loss) on disposal of assets	(206)	116
Gain/(loss) on inventories	467	407
Recognition and derecognition of assets	(371)	144
Lease incentives	132	132
Doubtful debts movement	(4)	112
Asset impairment	(21)	-
Resources received free of charge	2	9 173
Changes in assets/liabilities		
Increase/(decrease) in receivables	2 155	(76)
Increase/(decrease) in inventories	(190)	(354)
(Increase)/decrease in payables and provisions	(3 412)	1 324
(Increase)/decrease in employee benefits	(542)	(2 715)
(Increase)/decrease in other liabilities	1 318	(1 206)
Net cost of providing services	(103 405)	(86 774)

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

	Note	SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses							
Employee benefits	5	4 405	4 575	87 715	87 491	92 120	92 066
Supplies and services	6						
Professional and technical services		1 405	1 381	12 420	16 026	13 825	17 407
Administrative and operating costs		10	10	8 730	9 990	8 740	10 000
Utility and property costs		5 259	5 073	2 859	3 178	8 118	8 251
Computing and communication costs		1 456	2 082	4 531	3 424	5 987	5 506
Travel		-	-	2 543	2 791	2 543	2 791
Shared Services costs		2 189	2 227	-	-	2 189	2 227
Staff development and safety		-	-	1 118	1 087	1 118	1 087
Operating lease costs - accommodation		3 074	3 364	-	-	3 074	3 364
Operating lease costs		-	-	91	93	91	93
Vehicle lease and operating costs		2 437	2 462	-	-	2 437	2 462
Other vehicle and equipment operating costs		107	106	762	731	869	837
Property and risk insurance		479	441	-	-	479	441
Depreciation and amortisation	7	-	-	6 060	5 673	6 060	5 673
Grants and subsidies	8						
Recurrent grants		2 664	1 559	74 976	98 305	77 640	99 864
Intra government transfers		11 727	10 010	-	-	11 727	10 010
Borrowing costs	9	185	205	170	44	355	249
Net loss from the disposal of non-current assets	10	-	-	206	-	206	-
Other	11						
Publications, seed and miscellaneous stocks - cost of sales		-	-	94	116	94	116
Deemed cost of produce consumed		-	-	505	551	505	551
Property, plant and equipment derecognised		-	-	369	-	369	-
Bad debts and allowances for doubtful debts		-	-	7	-	7	-
Royalty payments		-	-	477	320	477	320
Workers compensation provision movement		(114)	(534)	-	-	(114)	(534)
Workers compensation liability revaluation		(366)	440	-	-	(366)	440
Industry assistance payments		-	-	-	232	-	232
Asset impairment		-	-	21	-	21	-
Other		36	30	67	4	103	34
Payments to SA Government	19	5 722	1 186	-	-	5 722	1 186
Total expenses		40 675	34 617	203 721	230 056	244 396	264 673

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

41 Transactions with SA Government (continued)

	Note	SA Government		Non-SA Government		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Income							
Net gain from the disposal of non-current assets	10	-	-	-	116	-	116
Fees and charges	12						
Agriculture, Biosecurity and Fisheries, consultancies and services		7	9	3 662	3 134	3 669	3 143
Rural Solutions, consultancies and services		454	1 174	4 111	3 682	4 565	4 856
SARDI, consultancies and services		45	13	4 457	4 371	4 502	4 384
Other		1 922	1 944	-	68	1 922	2 012
Advances and grants	13						
State grants - received from SA Government entities		3 574	5 708	-	-	3 574	5 708
State grants - received from administered industry funds		17 094	17 833	-	-	17 094	17 833
Commonwealth grants - Concessional Loans Schemes		-	-	150	150	150	150
Commonwealth grants - other		-	-	3 989	4 818	3 989	4 818
Industry grants		-	-	29 295	29 503	29 295	29 503
Interstate government grants		-	-	452	67	452	67
Commonwealth revenues (National Partnership payments)	14	57 187	86 187	-	-	57 187	86 187
Interest revenues	15	1 408	1 621	391	328	1 799	1 949
Sale of goods	16	-	-	3 048	2 989	3 048	2 989
Other	17						
Reimbursements/recoveries		160	60	1 584	1 613	1 744	1 673
Seed and other royalties		-	-	1 927	1 531	1 927	1 531
Gain/(loss) from changes in fair value biological assets		-	-	217	239	217	239
Diesel fuel rebates		-	-	95	101	95	101
Sponsorship contributions		-	-	2	-	2	-
Reduction in allowance for doubtful debts		-	-	-	102	-	102
Other		11	-	25	35	36	35
Resources received free of charge	18	-	-	2	9 317	2	9 317
Revenues from SA Government	19	126 885	104 929	-	-	126 885	104 929
Total income		208 747	219 478	53 407	62 164	262 154	281 642

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

41 Transactions with SA Government (continued)

	Note	SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Receivables	21						
Receivables		981	1 161	3 497	5 321	4 478	6 482
Loans receivable		-	-	15 537	7 308	15 537	7 308
Workers compensation recoveries		-	-	23	27	23	27
Accrued interest on loans and deposits		98	135	68	102	166	237
Other accrued revenue		167	95	7 713	4 520	7 880	4 615
GST receivable		-	-	1 960	2 111	1 960	2 111
Prepayments		-	-	58	586	58	586
Other financial assets	23	-	-	4 518	4 518	4 518	4 518
Total financial assets		1 246	1 391	33 374	24 493	34 620	25 884
Financial liabilities							
Payables	28						
Creditors		-	-	2	1	2	1
Accrued expenses		3 280	4 333	9 274	6 013	12 554	10 346
Accrued interest on borrowings		151	110	-	-	151	110
Paid parental leave scheme		-	-	8	15	8	15
Employment on-costs		2 150	2 133	1 984	1 968	4 134	4 101
Borrowings/financial liabilities	29	25 712	26 295	-	-	25 712	26 295
Other liabilities	32	1 275	1 523	15 292	16 388	16 567	17 911
Total financial liabilities		32 568	34 394	26 560	24 385	59 128	58 779

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

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

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

	Original budget ⁽¹⁾ 2017 \$'000	Actual 2017 \$'000	Variance \$'000
Statement of Comprehensive Income			
Expenses			
Employee benefits	93 528	92 120	(1 408)
Supplies and services	53 512	49 470	(4 042)
Depreciation and amortisation	5 835	6 060	225
Net loss from the disposal of non-current assets	-	206	206
Grants and subsidies (a)	135 758	89 367	(46 391)
Borrowing costs	616	355	(261)
Other	682	1 096	414
Total expenses	289 931	238 674	(51 257)
Income			
Fees and charges	21 634	14 658	(6 976)
Advances and grants	53 495	54 554	1 059
Commonwealth revenues (National Partnership payments)	66 041	57 187	(8 854)
Interest revenues	2 138	1 799	(339)
Sale of goods	2 424	3 048	624
Net gain from the disposal of non-current assets	10	-	(10)
Other	2 975	4 021	1 046
Resources received free of charge	-	2	2
Total income	148 717	135 269	(13 448)
Net cost of providing services	(141 214)	(103 405)	37 809
Revenues from/payments to SA Government			
Revenues from SA Government	126 885	126 885	-
Payments to SA Government	(6 889)	(5 722)	1 167
Net revenue from SA Government	119 996	121 163	1 167
Net result	(21 218)	17 758	38 976
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Changes in property, plant and equipment asset revaluation surplus	-	(407)	(407)
Total other comprehensive income	-	(407)	(407)
Total comprehensive result	(21 218)	17 351	38 569

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

42 Budgetary reporting and explanations of major variances between budget and actual amounts (continued)

		Original budget ⁽¹⁾ 2017 \$'000	Actual 2017 \$'000	Variance \$'000
	Note			
Investing expenditure summary				
Total existing projects	(b)	4 678	5 988	1 310
Total annual programs	(c)	4 884	5 509	625
Total investing expenditure		9 562	11 497	1 935

(1) Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2016-2017 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 statements 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 restructures/machinery of government changes. The budget process is not subject to audit.

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

- (a) Grants and subsidies expenditure was lower than the original budget primarily due to deferred milestone payments for grants under the SA River Murray Sustainability Program and the Regional Development Fund.
- (b) Total existing project expenditure was higher than the original budget primarily due to carried over funds from 2015-16 for the redevelopment of the Clare Regional Office, Sterile Insect Technology Facility and the acquisition of a property to be a trial orchard site for almonds.
- (c) Total annual programs investing expenditure was higher than the original budget primarily due to additional externally funded capital acquisitions.

43 Financial instruments/financial risk management

43.1 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*.

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

43.2 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 or the respective financial asset/financial liability note.

Refer note 43.3 for the carrying amounts of each of the following categories of financial assets and liabilities: held-to-maturity investments; loans and receivables; and financial liabilities measured at cost.

PIRSA 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.

43 Financial instruments/financial risk management (continued)

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 2, 21 and 28).
- Borrowings are recognised at cost which approximates fair value (refer notes 2 and 29).
- Held to maturity investments are initially recognised at cost which approximates fair value (refer notes 2 and 23).

The recognised fair values of financial assets and liabilities are classified according to the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value of financial assets or liabilities traded in active markets is based on quoted market prices for identical assets or liabilities at statement of financial position data (level 1). The quoted market price used for assets held by the department is the most representative of fair value in the circumstances.

The fair value of assets or liabilities 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. All significant inputs required to fair value financial assets and liabilities are observable, and accordingly included in level 2.

The department has no valuations for financial assets or liabilities categorised into level 3 (i.e. fair values derived from data not observable in a market).

43.3 Liquidity risk

Liquidity risk arises from the possibility that the department is unable to meet its financial obligations as they are 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.

PIRSA 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.

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

The carrying amount recorded in table 43.3 represent the department's maximum exposure to financial liabilities.

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

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

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

43 Financial instruments/financial risk management (continued)

Table 43.3 Categorisation and maturity analysis of financial assets and liabilities

Category of financial asset and financial liability	Note	2017 Carrying amount/fair value \$'000	2017 Contractual maturities			
			Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets						
Cash and equivalents						
- Cash and cash equivalents	20	165 634	165 634	165 634	-	-
Loans and receivables						
- Receivables ⁽¹⁾⁽²⁾	21	28 061	28 061	13 748	6 696	7 617
Investments at cost						
- Other financial assets	23	4 518	4 518	4 518	-	-
Total financial assets		198 213	198 213	183 900	6 696	7 617
Financial liabilities						
Financial liabilities at cost						
- Payables ⁽¹⁾	28	12 379	12 379	12 379	-	-
- Borrowings	29	25 712	25 712	11 224	6 696	7 792
Total financial liabilities		38 091	38 091	23 603	6 696	7 792

Category of financial asset and financial liability	Note	2016 Carrying amount/fair value \$'000	2016 Contractual maturities			
			Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets						
Cash and equivalents						
- Cash and cash equivalents	20	155 854	155 854	155 854	-	-
Loans and receivables						
- Receivables ⁽¹⁾⁽²⁾	21	18 642	18 642	15 087	3 555	-
Investments at cost						
- Other financial assets	23	4 518	4 518	4 518	-	-
Total financial assets		179 014	179 014	175 459	3 555	-
Financial liabilities						
Financial liabilities at cost						
- Payables ⁽¹⁾	28	10 140	10 140	10 140	-	-
- Borrowings	29	26 295	26 295	22 740	3 555	-
Total financial liabilities		36 435	36 435	32 880	3 555	-

⁽¹⁾ Receivables and payables amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents etc they would be excluded from the disclosure. All amounts recorded are carried at cost (not materially different from amortised cost).

⁽²⁾ Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 21 as trade and other 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 benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

43 Financial instruments/financial risk management (continued)

43.4 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. No collateral is held as security and no credit enhancements relate to financial assets held by the department.

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 note 21 for information on the allowance for impairment in relation to receivables.

The carrying amount of financial assets as detailed in note 43.3.

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

Table 43.4 Ageing analysis of financial assets

	Carrying amount \$'000	Not past due and not impaired \$'000	Past due but not impaired			Impaired financial assets \$'000
			Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
2017						
Cash and cash equivalents	165 634	165 634	-	-	-	-
Receivables ⁽¹⁾	28 061	26 935	881	64	92	89
Other financial assets	4 518	4 518	-	-	-	-
	198 213	197 087	881	64	92	89
2016						
Cash and cash equivalents	155 854	155 854	-	-	-	-
Receivables ⁽¹⁾	18 642	17 795	454	127	181	85
Other financial assets	4 518	4 518	-	-	-	-
	179 014	178 167	454	127	181	85

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

43.5 Market risk

Market risk for the department is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. PIRSA'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 Treasurer's Instructions 23 *Management of Foreign Currency Exposures*.

43.6 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.

44 Events after the reporting period

No events have occurred after balance date that would affect the financial statements of PIRSA as at 30 June 2017.

Department of Primary Industries and Regions
Statement of Administered Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Employee benefits	A4	769	716
Supplies and services	A5	2 186	2 246
Grants and subsidies	A6	30 765	30 001
Levies payments	A7	189	194
Other	A8	-	567
Total expenses		33 909	33 724
Income			
Fees and charges	A9	30 148	25 971
Interest revenues	A10	225	280
Levies collection	A11	199	217
Other	A12	23	6
Total income		30 595	26 474
Net cost of providing services		3 314	7 250
Revenues from SA Government			
Revenues from SA Government	A13	4 688	4 734
Total revenues from SA Government		4 688	4 734
Net result		1 374	(2 516)
Total comprehensive result		1 374	(2 516)

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 Primary Industries and Regions
Statement of Administered Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash	A14	22 586	21 315
Receivables	A15	679	147
Total current assets		23 265	21 462
Total assets		23 265	21 462
Current liabilities			
Payables	A16	1 200	1 605
Employee benefits	A17	-	2
Other current liabilities	A18	3 444	2 608
Total current liabilities		4 644	4 215
Total liabilities		4 644	4 215
Net assets		18 621	17 247
Equity			
Retained earnings	A19	18 621	17 247
Total equity		18 621	17 247

Contingent assets and liabilities A20

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

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

Department of Primary Industries and Regions
Statement of Administered Changes in Equity
for the year ended 30 June 2017

	Note	Retained Earnings \$'000	Total equity \$'000
Balance at 30 June 2015		19 788	19 788
Net result for 2015-16		(2 515)	(2 515)
Prior period adjustment to net result		(1)	(1)
Restated net result for 2015-16		(2 516)	(2 516)
Total comprehensive result for 2015-16		(2 516)	(2 516)
Balance at 30 June 2016		17 272	17 272
Prior period adjustment		(25)	(25)
Restated balance at 30 June 2016	A19	17 247	17 247
Net result for 2016-17		1 374	1 374
Total comprehensive result for 2016-17		1 374	1 374
Balance at 30 June 2017	A19	18 621	18 621

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 Primary Industries and Regions
Statement of Administered Cash Flows
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash outflows			
Employee benefit payments		(771)	(716)
Supplies and services		(2 178)	(2 279)
Grants and subsidies		(31 178)	(30 091)
Levy payments		(189)	(194)
Other payments		(12)	(468)
Cash used in operations		(34 328)	(33 748)
Cash inflows			
User fees and charges		30 489	26 122
Interest received		223	288
Levy collections		199	217
Cash generated from operations		30 911	26 627
Cash flows from SA Government			
Receipts from SA Government		4 688	4 734
Cash generated from SA Government		4 688	4 734
Net cash provided by /(used in) operating activities	A23	1 271	(2 387)
Net increase/(decrease) in cash		1 271	(2 387)
Cash at the beginning of the period		21 315	23 702
Cash at the end of the period	A14	22 586	21 315

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

Department of Primary Industries and Regions
Schedule of Expenses and Income Attributable to Administered Activities
for the year ended 30 June 2017

	Adelaide Hills Wine Industry Fund		Aquaculture Resource Management Fund		Barossa Wine Industry Fund	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses						
Employee benefits	-	-	-	-	-	-
Supplies and services	25	16	-	-	56	109
Grants and subsidies	400	265	1 701	1 682	750	500
Levies payments	-	-	-	-	-	-
Other	-	-	-	85	-	-
Total expenses	425	281	1 701	1 767	806	609
Income						
Fees and charges	532	361	1 769	1 700	1 147	832
Interest revenues	6	5	20	11	9	9
Levies collection	-	-	-	-	-	-
Other	-	-	15	-	-	-
Total income	538	366	1 804	1 711	1 156	841
Net cost of / (benefit from) providing services	(113)	(85)	(103)	56	(350)	(232)
Revenues from SA Government						
Revenues from SA Government	-	-	-	-	-	-
Net revenues from SA Government	-	-	-	-	-	-
Net result	113	85	103	(56)	350	232
Total comprehensive result	113	85	103	(56)	350	232

	Citrus Growers Fund		Clare Valley Wine Industry Fund		Eyre Peninsula Grain Growers Rail Fund	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses						
Employee benefits	-	-	-	-	-	-
Supplies and services	13	11	11	10	5	5
Grants and subsidies	165	170	50	65	-	-
Levies payments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total expenses	178	181	61	75	5	5
Income						
Fees and charges	143	183	88	77	-	-
Interest revenues	2	2	1	1	-	-
Levies collection	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total income	145	185	89	78	-	-
Net cost of / (benefit from) providing services	33	(4)	(28)	(3)	5	5
Revenues from SA Government						
Revenues from SA Government	-	-	-	-	-	-
Net revenues from SA Government	-	-	-	-	-	-
Net result	(33)	4	28	3	(5)	(5)
Total comprehensive result	(33)	4	28	3	(5)	(5)

Note: Totals may not add due to rounding.

Department of Primary Industries and Regions
Schedule of Expenses and Income Attributable to Administered Activities
for the year ended 30 June 2017

	Fisheries Research and Development Fund		ForestrySA Community Service Obligations		Grain Industry Fund	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses						
Employee benefits	-	-	-	-	-	-
Supplies and services	1 575	1 640	-	-	21	21
Grants and subsidies	12 572	12 972	3 958	4 098	1 600	1 200
Levies payments	-	-	-	-	-	-
Other	-	17	-	-	-	-
Total expenses	14 147	14 629	3 958	4 098	1 621	1 221
Income						
Fees and charges	13 985	14 191	-	-	1 919	1 255
Interest revenues	-	-	-	-	30	37
Levies collection	-	-	-	-	-	-
Other	8	6	-	-	-	-
Total income	13 993	14 197	-	-	1 949	1 292
Net cost of / (benefit from) providing services	154	432	3 958	4 098	(328)	(71)
Revenues from SA Government						
Revenues from SA Government	-	-	3 989	4 099	-	-
Net revenues from SA Government	-	-	3 989	4 099	-	-
Net result	(154)	(432)	31	1	328	71
Total comprehensive result	(154)	(432)	31	1	328	71

	Grain Industry Research and Development Fund		Langhorne Creek Wine Industry Fund		McLaren Vale Wine Industry Fund	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses						
Employee benefits	-	-	-	-	-	-
Supplies and services	21	20	26	16	41	32
Grants and subsidies	2 500	1 800	400	300	720	500
Levies payments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total expenses	2 521	1 820	426	316	761	532
Income						
Fees and charges	2 888	1 907	388	370	994	691
Interest revenues	7	5	4	5	9	7
Levies collection	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total income	2 895	1 912	392	375	1 003	698
Net cost of / (benefit from) providing services	(374)	(92)	34	(59)	(242)	(166)
Revenues from SA Government						
Revenues from SA Government	-	-	-	-	-	-
Net revenues from SA Government	-	-	-	-	-	-
Net result	374	92	(34)	59	242	166
Total comprehensive result	374	92	(34)	59	242	166

Note: Totals may not add due to rounding.

Department of Primary Industries and Regions
Schedule of Expenses and Income Attributable to Administered Activities
for the year ended 30 June 2017

	Riverland Wine Industry Fund		South Australian Apiary Industry Fund		South Australian Cattle Industry Fund	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses						
Employee benefits	-	-	-	-	3	9
Supplies and services	144	134	5	5	53	22
Grants and subsidies	700	700	8	57	762	848
Levies payments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total expenses	844	834	13	62	818	879
Income						
Fees and charges	1 311	692	57	91	587	512
Interest revenues	11	9	3	4	9	16
Levies collection	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total income	1 322	701	60	95	596	528
Net cost of / (benefit from) providing services	(478)	133	(47)	(33)	222	351
Revenues from SA Government						
Revenues from SA Government	-	-	-	-	-	-
Net revenues from SA Government	-	-	-	-	-	-
Net result	478	(133)	47	33	(222)	(351)
Total comprehensive result	478	(133)	47	33	(222)	(351)

	South Australian Deer Industry Fund		South Australian Grape Growers Industry Fund		South Australian Pig Industry Fund	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses						
Employee benefits	-	-	-	-	-	3
Supplies and services	-	7	112	120	27	12
Grants and subsidies	-	103	550	420	151	133
Levies payments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total expenses	-	110	662	540	178	148
Income						
Fees and charges	-	-	815	660	202	189
Interest revenues	-	2	6	6	55	69
Levies collection	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total income	-	2	821	666	257	258
Net cost of / (benefit from) providing services	-	108	(159)	(126)	(79)	(110)
Revenues from SA Government						
Revenues from SA Government	-	-	-	-	-	-
Net revenues from SA Government	-	-	-	-	-	-
Net result	-	(108)	159	126	79	110
Total comprehensive result	-	(108)	159	126	79	110

Note: Totals may not add due to rounding.

Department of Primary Industries and Regions
Schedule of Expenses and Income Attributable to Administered Activities
for the year ended 30 June 2017

	South Australian Sheep Industry Fund		Other Funds		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses						
Employee benefits	25	30	741	674	769	716
Supplies and services	49	65	2	1	2 186	2 246
Grants and subsidies	3 778	4 188	-	-	30 765	30 001
Levies payments	-	-	189	194	189	194
Other	-	-	-	465	-	567
Total expenses	3 852	4 283	932	1 334	33 909	33 724
Income						
Fees and charges	3 323	2 260	-	-	30 148	25 971
Interest revenues	53	92	-	-	225	280
Levies collection	-	-	199	217	199	217
Other	-	-	-	-	23	6
Total income	3 376	2 352	199	217	30 595	26 474
Net cost of / (benefit from) providing services	476	1 931	733	1 117	3 314	7 250
Revenues from SA Government						
Revenues from SA Government	-	-	699	635	4 688	4 734
Net revenues from SA Government	-	-	699	635	4 688	4 734
Net result	(476)	(1 931)	(34)	(482)	1 374	(2 516)
Total comprehensive result	(476)	(1 931)	(34)	(482)	1 374	(2 516)

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

Note: Totals may not add due to rounding.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A1 Significant accounting policies

All Department of Primary Industries and Regions (PIRSA/the department) accounting policies are contained in note 2 *Significant accounting policies*. The policies outlined in note 2 apply to both PIRSA's controlled and administered financial statements.

A2 New and revised accounting standards and policies

Application of new and revised accounting standards and policies by PIRSA are contained in note 3 *New and revised accounting standards*. The changes outlined in note 3 apply to both PIRSA's controlled and administered financial statements.

A3 Administered funds of the department

The activity schedule provides details of expenses and revenues applicable to the administered funds of PIRSA. Information about the PIRSA administered funds is set out below:

Adelaide Hills Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 8 August 2003. The primary purposes of the fund are to promote the Adelaide Hills wine industry, undertake research and development and encourage communication and cooperation between participants in the Adelaide Hills wine industry.

Aquaculture Resource Management Fund

This fund, established under the *Aquaculture Act 2001*, came into operation on 11 November 2002. Under the Act, fees are paid into the fund and are to be utilised primarily for the purposes of any investigation or other projects relating to the management of aquaculture resources.

Barossa Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 29 November 2007. The primary purposes of the fund are to promote the Barossa wine industry, undertake research and development and encourage communication and cooperation between participants in the Barossa wine industry.

Citrus Growers Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 20 October 2005. The primary purposes of the fund are to provide services to growers, promote the SA citrus industry, represent growers in regional, State or national citrus or horticulture industry forums and encourage communication and cooperation between participants in the citrus industry.

Clare Valley Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 21 February 2008. The primary purposes of the fund are to promote the Clare Valley wine industry, undertake research and development and encourage communication and cooperation between participants in the Clare Valley wine industry.

Eyre Peninsula Grain Growers Rail Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 7 September 2006. The primary purpose of the fund is to collect \$2 million towards the cost of improving the Eyre Peninsula grain railway line and associated equipment or infrastructure. The purpose of the fund has been met and the prescribed contribution rate has been reduced to zero.

Fisheries Research and Development Fund

Under the *Fisheries Management Act 2007*, all commercial licence fees received by PIRSA are required to be paid into this fund. The primary purposes of the fund are to carry out research, exploration, experiments, works or operations for the conservation, management or enhancement of living resources found in waters to which the Act applies or promotion of any fishing, fish farming or fish processing activity.

A3 Administered funds of the department (continued)

ForestrySA Community Service Obligations

PIRSA receives appropriation to make payments to ForestrySA representing Community Service Obligations for the provision of: management of native forests for biodiversity conservation; community use of forest reserves; forest research programs; and provision of community fire protection services near forest reserves.

Grain Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 1 March 2012. The primary purposes of the fund are to promote the grain industry, through industry field days, conferences and other events; represent grain growers in regional, state or national grain or agriculture industry forums; collect and disseminate to grain growers information relevant to the grain industry; and undertake programs designed to encourage communication and cooperation between grain growers and other persons associated with the grain industry.

Grain Industry Research and Development Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 8 August 2013. The primary purposes of the fund are to collect industry funds and make payments to the South Australian Grain Industry Trust Fund and others; to undertake or facilitate research and development into the growing, harvesting, storage, processing and marketing of grain; and collect and disseminate to grain growers information relevant to research and development into grains.

Langhorne Creek Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 14 June 2001 with new Regulations assented to on 1 September 2016. The primary purposes of the fund are to promote the Langhorne Creek wine industry, undertake research and development and encourage communication and cooperation between participants in the Langhorne Creek wine industry.

McLaren Vale Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 5 June 2003. The primary purposes of the fund are to promote the McLaren Vale wine industry, undertake research and development and encourage communication and cooperation between participants in the McLaren Vale wine industry.

Riverland Wine Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 14 June 2001 with new Regulations assented to on 1 September 2016. The primary purposes of the fund are to promote the Riverland wine industry, undertake research and development and encourage communication and cooperation between participants in the Riverland wine industry.

South Australian Apiary Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 31 January 2001 with new Regulations assented to on 1 September 2016. The primary purpose of the fund is to undertake programs relating to the apiary industry or apiary products or any other aspect of the apiary industry that is considered will benefit the apiary industry.

South Australian Cattle Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 1 July 2000 with new Regulations assented to on 14 May 2015. The primary purposes of the fund are to undertake programs relating to cattle, cattle products or any other aspect of the cattle industry, and payment of compensation and other amounts in line with Regulations.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A3 Administered funds of the department (continued)

South Australian Deer Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 1 September 2002. The primary purposes of the fund were to undertake programs relating to deer, deer products or any other aspect of the deer industry, and payment of compensation and other amounts in line with Regulations. The *Primary Industry Funding Schemes (Deer Industry Fund) Regulations 2002* were revoked effective 30 June 2016, with the fund now closed.

South Australian Grape Growers Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 29 November 2007. The primary purposes of the fund are to promote the SA grape growers industry, undertake research and development and encourage communication and cooperation between participants in the SA grape growers industry.

South Australian Pig Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 1 October 2001 with new Regulations assented to on 1 September 2016. The primary purposes of the fund are to undertake research, investigations or other programs relating to pigs, pig products or any other aspect of the pig industry and payment of compensation in line with Regulations.

South Australian Sheep Industry Fund

This fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 28 October 1999 with new Regulations assented to on 14 August 2014. The purposes of the fund are to make financial assistance or ex gratia payments to farmers in line with the Regulations, undertake programs as recommended by the South Australian Sheep Advisory Group and provide contributions to the Dog Fence Board towards the maintenance or improvement of the dog proof fence.

Other Funds

This is the total of all other administered funds including the payment of Ministerial salaries and allowances, and seed levies collected and remitted pursuant to the *Commonwealth Pasture Seed Levy Collection Act 1989* and amending Act *Primary Industries Levies and Charges Collection (Consequential Provisions) Act 1991*.

A4 Employee benefit expenses

	2017	2016
	\$'000	\$'000
Salaries and wages	717	665
Employment on-costs - superannuation	1	1
Employment on-costs - other	1	1
Workers compensation	41	30
Board fees	9	19
Total employee benefit expenses	769	716

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A5 Supplies and services

	2017	2016
	\$'000	\$'000
Professional and technical services ⁽¹⁾	1 768	1 749
Administrative and operating costs	412	415
Computing and communication costs	-	73
Travel	5	5
Other	1	4
Total supplies and services	2 186	2 246

⁽¹⁾ Includes audit fees paid/payable to the Auditor-General's Department of \$102 200 (\$101 600) relating to work performed under the *Public Finance and Audit Act 1987*. No other services were provided by the Auditor-General's Department.

A6 Grants and subsidies

	2017	2016
	\$'000	\$'000
Recurrent grants	9 355	7 710
Transfer payments to PIRSA for industry research and project delivery	17 094	17 833
Intra government transfers	4 316	4 458
Total grants and subsidies	30 765	30 001

The major grant programs and subsidies paid/payable during the year were:

Fisheries Research and Development Fund	12 572	12 972
ForestrySA-Community Service Obligations	3 958	4 098
South Australian Sheep Industry Fund	3 778	4 188
Grain Industry Research and Development Fund	2 500	1 800
Aquaculture Resource Management Fund	1 701	1 682
Grain Industry Fund	1 600	1 200
South Australian Cattle Industry Fund	762	848
Barossa Wine Industry Fund	750	500
McLaren Vale Wine Industry Fund	720	500
Riverland Wine Industry Fund	700	700
South Australian Grape Growers Industry Fund	550	420
Langhorne Creek Wine Industry Fund	400	300
Adelaide Hills Wine Industry Fund	400	265
Citrus Growers Fund	165	170
South Australian Pig Industry Fund	151	133
Clare Valley Wine Industry Fund	50	65
South Australian Apiary Industry Fund	8	57
South Australian Deer Industry Fund	-	103
Total grants and subsidies	30 765	30 001

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A7 Levies payments

	2017	2016
	\$'000	\$'000
Seed levies ⁽¹⁾	189	194
Total levies payments	189	194

⁽¹⁾ Seed levies collected pursuant to the Commonwealth *Pasture Seed Levy Collection Act 1989* are paid to the Commonwealth Department of Agriculture and Water Resources. Fees charged by Australian Seed Authority Ltd (ASA) are by an agreement with the department, collected and remitted to ASA.

Income is recognised under note A11.

A8 Other expenses

	2017	2016
	\$'000	\$'000
Doubtful debts	-	102
Return of deposit account balances ⁽¹⁾	-	465
Total other expenses	-	567

⁽¹⁾ Following the winding up of the Egg Industry Deregulation Account the residual balance was returned to the Consolidated Account in 2015-16.

A9 Revenue from fees and charges

	2017	2016
	\$'000	\$'000
Aquaculture and fishing licences	13 436	13 623
Industry contributions	14 394	10 081
Penalties and fines	84	53
Other fees and levies	2 234	2 214
Total revenue from fees and charges	30 148	25 971

A10 Interest revenues

	2017	2016
	\$'000	\$'000
Interest received	225	280
Total interest revenue	225	280

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A11 Levies collection

	2017	2016
	\$'000	\$'000
Seed levies ⁽¹⁾	199	217
Total Levies collection	199	217

- ⁽¹⁾ Seed levies comprise amounts collected pursuant to the Commonwealth *Pasture Seed Levy Collection Act 1989* and amending Act *Primary Industries Levies and Charges Collection (Consequential Provisions) Act 1991* for certification of pasture seed by the State and fees charged by ASA under licence by the Commonwealth Department of Agriculture and Water Resources. ASA undertake the role of the National Designated Authority for the Organisation for Economic Cooperation and Development (OECD) seed schemes, and, at the request of the Australian seed industry, operates the Australian Seed Certification Scheme which is used principally for seed not destined for export. The department has an agreement with ASA to collect and remit the levy on their behalf.

Payments are recognised under note A7.

A12 Other income

	2017	2016
	\$'000	\$'000
Reduction in allowances for doubtful debts	15	-
Other	8	6
Total other income	23	6

A13 Revenues from SA Government

	2017	2016
	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	3 989	4 099
Reimbursements received for Parliamentary salaries and expense allowances	699	635
Total revenue from SA Government	4 688	4 734

A14 Cash

	2017	2016
	\$'000	\$'000
Section 21 Deposit Accounts	22 586	21 315
Total cash and cash equivalents	22 586	21 315

Cash is measured at nominal amounts.

Deposits at call and with the Treasurer earn a floating interest rate, based on daily banking deposit rates. The carrying amount of cash and cash equivalents approximates fair value.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A15 Receivables

	2017	2016
	\$'000	\$'000
Current		
Receivables ⁽¹⁾	996	495
Less: allowance for doubtful debts ⁽¹⁾	(335)	(364)
	661	131
Accrued interest on deposits	18	16
Total current receivables	679	147
Total receivables	679	147

⁽¹⁾ 2015-16 comparative adjusted in relation to aquaculture lease and licence revenue, comprising an adjustment to decrease receivables by \$0.052m, and allowance for doubtful debts by \$0.026m.

Interest rate and credit risk

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables are non-interest bearing.

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. 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.

Refer to note A26 for further information on risk management.

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 for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2017	2016
	\$'000	\$'000
Movement in the allowance for doubtful debts (impairment loss)		
Carrying amount at the beginning of the period	364	240
(Decrease)/increase in the allowance	(15)	128
Amounts written off	(14)	(4)
Carrying amount at the end of the period	335	364

A16 Payables

	2017	2016
	\$'000	\$'000
Current		
Accrued expenses	1 200	1 605
Total current payables	1 200	1 605
Total payables	1 200	1 605

A17 Employee benefits

	2017	2016
	\$'000	\$'000
Current		
Accrued salaries and wages	-	2
Total current employee benefits	-	2
Total employee benefits	-	2

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A18 Other liabilities

	2017	2016
	\$'000	\$'000
Current		
Unearned revenue	3 402	2 546
Other	42	62
Total current other liabilities	3 444	2 608
Total other liabilities	3 444	2 608

A19 Equity

	2017	2016
	\$'000	\$'000
Retained earnings	18 621	17 247
Total equity	18 621	17 247

A20 Contingent assets and liabilities

The department is not aware of any contingent assets affecting the administered entities comprising the consolidated financial report as at 30 June 2017.

Contingent Liabilities - Refunds of Contributions

Funds established by Regulations under the *Primary Industry Funding Schemes Act 1998* may enable contributors to claim a refund for contributions made in relation to a prescribed period. At the reporting date the possible emergence of valid refund requests within each fund is present. However, as uncertainty exists as to the number of refund requests that will be received, and their timing and amount, these potential obligations cannot be reliably estimated and therefore represent a contingent liability for the fund. Once a valid refund request has been received from a past contributor and it is approved by the Minister or delegate, a present obligation to pay the refund arises. The refund amount is then recognised as a liability and expense of the fund.

A21 Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the year are listed below in the following summary table:

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

	2017	2016
\$Nil	20	13
\$1 - \$9 999	20	32
Total number of members	40	45

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 \$10 000 (\$20 000).

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.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A21 Remuneration of board and committee members (continued)

The total number of members has reduced as part of the whole of government review of boards and committees, which has resulted in a number of advisory groups being abolished.

Members during 2016-17 financial year:

South Australian Cattle Advisory Group

Mr T J Honner	(Chair)	(re-appointed 1 July 2016)
Mrs K I Dennis	(Deputy Chair)	
Dr M R Carr *		(appointed 1 July 2016)
Mr L F Clegett		(re-appointed 1 July 2016)
Mr L S Fitzgerald *		
Mrs S Joppich		(appointed 1 July 2016)
Mrs H F E Keatley		(appointed 1 July 2016)
Mr A Litchfield		
Dr E K Matthews *	(deputy member)	(appointed 1 July 2016)
Mr B F W McHugh	(deputy member)	(appointed 1 July 2016)
Mrs A S Pacitti		
Mrs P J Schulz		
Mr M G Watters	(deputy member)	

South Australian Ovine Johne's Disease Committee

Mr P Altschwager	(retired 30 June 2017)
Dr M R Carr *	(retired 30 June 2017)
Mr L T Copper	(retired 30 June 2017)
Ms K I Dennis	(retired 30 June 2017)
Mr L S Fitzgerald *	(retired 30 June 2017)
Mr L D Gogel	(retired 30 June 2017)
Mr A S Heinrich	(retired 30 June 2017)
Mr L J Mills	(retired 30 June 2017)
Mr M Osborne	(retired 30 June 2017)
Dr C L Trengrove	(retired 30 June 2017)
Dr J Van Wijk *	(retired 30 June 2017)

South Australian Sheep Advisory Group

Mrs L J Mills	(Chair)	
Mr I H Rowett	(Deputy Chair)	
Mr B J Bateman		
Mr K T Bolto		
Mrs J I Fischer		
Mr L S Fitzgerald *		
Mr R E Giles		
Mrs J Kellock		
Mr A S Pearce		(appointed 1 July 2016)
Dr M D Peters *		(appointed 1 July 2016)
Mr W L Stewart		
Dr M R Carr *	(deputy member)	(appointed 1 July 2016)
Mrs K I Dennis	(deputy member)	(appointed 1 July 2016)
Mr A J P MacLachlan	(deputy member)	
Mrs P J Schulz	(deputy member)	
Mrs M M Whittlesea	(deputy member)	

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A21 Remuneration of board and committee members (continued)

* Pursuant to the Department of Premier and Cabinet Circular PC016, government employees did not receive any remuneration for board/committee duties during the financial year.

A22 Related party transactions

Significant transactions with government related entities

Contributions from industry groups are received into the administered funds of the department (refer note A9) and may be transferred in part to PIRSA controlled (refer note A6 and 13) to undertake specific research or to deliver projects proposed by the industry groups in their approved management plans.

Collectively, but not individually significant transactions with government related entities

Quantitative information about transactions and balances between the administered funds and other SA Government controlled entities are disclosed at note A24.

Key management personnel

The Minister for Agriculture, Food and Fisheries has responsibility for all of the administered funds included under note A3 and discharges his duties in accordance with the governance arrangements in the legislation and Regulations that underpin each fund. The Minister is deemed to be a key management person for the administered funds.

The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

Transactions with key management personnel and other related parties

There were no transactions with key management personnel and other related parties entered into by the department.

A23 Cash flow reconciliation

	2017 \$'000	2016 \$'000
Reconciliation of cash - cash at year end as per:		
Statement of Administered Cash Flows	22 586	21 315
Statement of Administered Financial Position	22 586	21 315
Reconciliation of net cash provided by/(used in) operating activities to net cost of providing services:		
Net cash provided by/(used in) operating activities	1 271	(2 387)
Less Revenues from SA Government	(4 688)	(4 734)
Add/(less) non-cash items		
Doubtful debts movement	29	(124)
Movements in assets and liabilities		
Increase/(decrease) in receivables	503	(51)
(Increase)/decrease in payables	405	123
(Increase)/decrease in employee benefits	2	2
(Increase)/decrease in other liabilities	(836)	(79)
Net cost of providing services	(3 314)	(7 250)

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A24 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.

		Non-SA					
		SA Government		Government		Total	
		2017	2016	2017	2016	2017	2016
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses							
Employee benefits	A4	6	13	763	703	769	716
Supplies and services	A5						
Professional and technical services		202	194	1 566	1 555	1 768	1 749
Administrative and operating costs		-	-	412	415	412	415
Computing and communications costs		-	-	-	73	-	73
Travel		-	-	5	5	5	5
Other		-	-	1	4	1	4
Grants and subsidies	A6						
Recurrent grants		-	-	9 355	7 710	9 355	7 710
Transfer payments to PIRSA for industry research and project delivery		17 094	17 833	-	-	17 094	17 833
Intra government transfers		4 316	4 458	-	-	4 316	4 458
Levies payments	A7	-	-	189	194	189	194
Other	A8	-	465	-	102	-	567
Total expenses		21 618	22 963	12 291	10 761	33 909	33 724
Income							
Fees and charges	A9						
Aquaculture and fishing licences		-	-	13 436	13 623	13 436	13 623
Industry contributions		-	-	14 394	10 081	14 394	10 081
Penalties and fines		-	-	84	53	84	53
Other fees and levies		-	-	2 234	2 214	2 234	2 214
Interest revenues	A10	225	280	-	-	225	280
Levies collection	A11	-	-	199	217	199	217
Other income	A12						
Other		-	-	23	6	23	6
Revenues from SA Government	A13	4 688	4 734	-	-	4 688	4 734
Total income		4 913	5 014	30 370	26 194	35 283	31 208
Financial assets							
Receivables	A15						
Receivables		-	-	661	131	661	131
Accrued interest on deposits		18	16	-	-	18	16
Total financial assets		18	16	661	131	679	147
Financial liabilities							
Payables	A16						
Accrued expenses		1 035	1 420	165	185	1 200	1 605
Employee benefits	A17	-	-	-	2	-	2
Other liabilities	A18	-	-	3 444	2 608	3 444	2 608
Total financial liabilities		1 035	1 420	3 609	2 795	4 644	4 215

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A25 Budgetary reporting and explanations of major variances between budget and actual amounts

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

Statement of Administered Comprehensive Income	Note	Original budget ⁽¹⁾ 2017 \$'000	Actual 2017 \$'000	Variance \$'000
Expenses				
Employee benefits		776	769	(7)
Supplies and services		2 170	2 186	16
Grants and subsidies		29 418	30 765	1,347
Levies payments		166	189	23
Other		15	-	(15)
Total expenses		32 545	33 909	1,364
Income				
Fees and charges	(a)	26 906	30 148	3 242
Interest revenues		356	225	(131)
Levies collection		166	199	33
Other		-	23	23
Total income		27 428	30 595	3 167
Net cost of providing services		5 117	3 314	(1 803)
Net revenues from SA Government				
Revenues from SA Government		4 702	4 688	(14)
Net revenues from SA Government		4 702	4 688	(14)
Net result		(415)	1 374	1 789
Total comprehensive result		(415)	1 374	1 789

- ⁽¹⁾ Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2016-17 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 Flow 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, administrative restructures/machinery of government changes or changes in accounting policy. The budget process is not subject to audit.

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

- (a) Fees and charges revenue was higher than the original budget primarily due to greater than anticipated industry contributions from the wine and grain sectors reflecting improved production levels during the year.

Department of Primary Industries and Regions
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A26 Financial instruments/financial risk management

Table 26.1 Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note A1.

Category of financial asset and financial liability	Note	2017 Carrying amount/fair value \$'000	2017 Contractual maturities			
			Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets						
Cash and equivalents						
- Cash and cash equivalents	A14	22 586	22 586	-	-	-
Loans and receivables						
- Receivables ⁽¹⁾⁽²⁾	A15	679	679	-	-	-
Total financial assets		23 265	23 265	-	-	-
Financial liabilities						
Financial liabilities at cost						
- Payables ⁽¹⁾	A16	1 099	1 099	-	-	-
Total financial liabilities		1 099	1 099	-	-	-

Category of financial asset and financial liability	Note	2016 Carrying amount/fair value \$'000	2016 Contractual maturities			
			Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets						
Cash and equivalents						
- Cash and cash equivalents	A14	21 315	21 315	-	-	-
Loans and receivables						
- Receivables ⁽¹⁾⁽²⁾	A15	147	147	-	-	-
Total financial assets		21 462	21 462	-	-	-
Financial liabilities						
Financial liabilities at cost						
- Payables ⁽¹⁾	A16	1 509	1 509	-	-	-
Total financial liabilities		1 509	1 509	-	-	-

⁽¹⁾ Receivables and payables amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; audit fees payable to Auditor-General's Department). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents etc. they would be excluded from the disclosure. All amounts recorded are carried at cost (not materially different from amortised cost).

⁽²⁾ Receivables amount disclosed here excludes prepayments. Prepayments are presented in note A15 as trade and other 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 benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

A26 Financial instruments/financial risk management (continued)

26.1 Fair value

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

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these. Refer to notes A1, A15 and A16.

The recognised fair value of financial assets and liabilities are classified according to the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value of financial assets or liabilities traded in active markets is based on quoted market prices for identical assets or liabilities at Statement of Financial Position data (level 1). The quoted market price used for assets held by the department is the most representative of the fair value in circumstances.

The fair value of the assets or liabilities 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. All significant inputs required to fair value financial assets and liabilities are observable, and accordingly included in level 2.

The department has no valuations for financial assets or liabilities categorised into level 3 (i.e. fair values derived from data not observable in a market).

A27 Events after the reporting period

No events have occurred after balance date that would affect the consolidated administered financial statements of PIRSA as at 30 June 2017.

Department of Primary Industries and Regions
Certification of Financial Statements
for the year ended 30 June 2017

We certify that the attached general purpose financial statements for the Department of Primary Industries and Regions:

- comply with 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 Department of Primary Industries and Regions
- present a true and fair view of the financial position of the Department of Primary Industries and Regions as at 30 June 2017 and the results of its operations and cash flows for the financial year.

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



Scott Ashby
Chief Executive
Department of Primary Industries and Regions
13 September 2017



Stephen Johnke
Chief Financial Officer
Department of Primary Industries and Regions
13 September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chief Executive Department of Primary Industries and Regions

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Department of Primary Industries and Regions for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Department of Primary Industries and Regions as at 30 June 2017, 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.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2017
- Disaggregated Disclosures - Assets and Liabilities as at 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Statement of Administered Comprehensive Income for the year ended 30 June 2017
- a Statement of Administered Financial Position as at 30 June 2017
- a Statement of Administered Changes in Equity for the year ended 30 June 2017
- a Statement of Administered Cash Flows for the year ended 30 June 2017
- a Schedule of Expenses and Income attributable to Administered Activities for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information for administered items
- a Certificate from the Chief Executive and the Chief Financial Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Department of Primary Industries and Regions. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the Chief Executive 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 management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

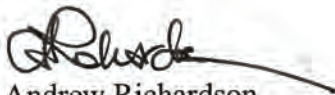
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

21 September 2017

Public Trustee

Financial report
for the year ended
30 June 2017

**Statement of Comprehensive Income
for the year ended 30 June 2017**

	Note	2017 \$'000	2016 \$'000
Income			
Fees and charges	4(a)	21 425	20 736
Interest	4(b)	586	631
Unrealised gains on financial assets		36	-
Other income	4(c)	1 287	1 123
Total income		23 334	22 490
Expenses			
Employee benefits	5(a), 5(b), 5(c)	15 223	14 748
Supplies and services	5(d)	6 539	6 178
Loss from the disposal of fixed assets		4	-
Unrealised losses on financial assets		-	628
Depreciation and amortisation		970	922
Total expenses		22 736	22 476
Profit before income tax equivalents		598	14
Income tax equivalent	2(c)	179	4
Profit after income tax equivalents		419	10
Total comprehensive result		419	10

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

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

**Statement of Financial Position
as at 30 June 2017**

	Note	2017 \$'000	2016 \$'000
Assets:			
Current assets			
Cash and cash equivalents	17	7 990	6 343
Receivables	6	<u>1 253</u>	<u>1 973</u>
Total current assets		<u>9 243</u>	<u>8 316</u>
Non-current assets			
Financial assets	7, 8	20 776	20 737
Plant and equipment	9	2 368	2 804
Intangible assets	10	<u>309</u>	<u>388</u>
Total non-current assets		<u>23 453</u>	<u>23 929</u>
Total assets		<u>32 696</u>	<u>32 245</u>
Liabilities:			
Current liabilities			
Payables	11	1 369	912
Lease Incentive		268	268
Employee benefits	12	1 927	1 623
Provisions	13	<u>18</u>	<u>18</u>
Total current liabilities		<u>3 582</u>	<u>2 821</u>
Non-current liabilities			
Payables	11	398	421
Lease Incentive		513	781
Employee benefits	12	3 802	4 184
Provisions	13	<u>32</u>	<u>31</u>
Total non-current liabilities		<u>4 745</u>	<u>5 417</u>
Total liabilities		<u>8 327</u>	<u>8 238</u>
Net assets		<u>24 369</u>	<u>24 007</u>
Equity:			
Retained earnings		<u>24 369</u>	<u>24 007</u>
Total equity		<u>24 369</u>	<u>24 007</u>
Contingent assets and liabilities	14		
Unrecognised contractual commitments	18		

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

Statement of Changes in Equity
for the year ended 30 June 2017

	Note	Retained Earnings	Total
		\$'000	\$'000
Balance as at 30 June 2015		<u>24 226</u>	<u>24 226</u>
Profit/(Loss) after income tax equivalent		<u>10</u>	<u>10</u>
Total comprehensive result for 2015/16		<u>10</u>	<u>10</u>
Transactions with State Government as owner			
Dividends provided for	13	<u>(229)</u>	<u>(229)</u>
Balance as at 30 June 2016		<u>24 007</u>	<u>24 007</u>
Profit/(Loss) after income tax equivalent		<u>419</u>	<u>419</u>
Total comprehensive result for 2016/17		<u>419</u>	<u>419</u>
Transactions with State Government as owner			
Dividends paid	13	<u>(57)</u>	<u>(57)</u>
Balance as at 30 June 2017		<u>24 369</u>	<u>24 369</u>

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

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

Statement of Cash Flows
for the year ended 30 June 2017

	Note	2017 Inflows (Outflows) \$'000	2016 Inflows (Outflows) \$'000
Cash flows from operating activities:			
Cash inflows			
Fees and charges		23 894	22 388
Sundry income		250	14
Interest		577	631
Distributions		1 280	602
Tax equivalents		168	-
Cash generated from operations		26 169	23 635
Cash outflows			
Employee benefits		(15 249)	(14 521)
Supplies and services		(7 304)	(7 168)
Tax equivalents		-	(319)
GST remitted to ATO		(1 450)	(1 607)
Cash used in operations		(24 003)	(23 615)
Net cash provided by operating activities	16(b)	2 166	20
Cash flows from investing activities:			
Cash outflows			
Financial assets		(2)	(3)
Purchase of plant and equipment		(364)	(109)
Purchase of intangibles		(96)	(95)
Cash used in investing activities		(462)	(207)
Net cash used in investing activities		(462)	(207)
Cash flows from financing activities:			
Cash outflows			
Dividend distribution to State Government	16(c)	(57)	(229)
Net cash used in financing activities		(57)	(229)
Net increase/(decrease) in cash and cash equivalents		1 647	(416)
Cash and cash equivalents at 1 July		6 343	6 759
Cash and cash equivalents at 30 June	17	7 990	6 343

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2016-17

1 Objectives of Public Trustee

The office of the Public Trustee was established in 1881 and is constituted under the provisions of the *Public Trustee Act 1995*. The Public Trustee is a statutory officer pursuant to the *Public Trustee Act 1995*. Public Trustee is a body corporate with the powers of a natural person.

The role of the Public Trustee is to provide all South Australians with access to will making services, powers of attorney preparation and deceased estate and trust administration. Public Trustee also has a role in managing the financial affairs of those people in the community who lack the capacity to manage their own affairs as determined by the courts, the South Australian Civil and Administrative Tribunal (SACAT) or through activation of powers of attorney.

2 Summary of significant accounting policies

The corporate financial statements present the financial performance, financial position and cash flows of Public Trustee as at 30 June 2017 together with the supporting notes.

Financial statements relating to funds administered by Public Trustee are prepared separately, detailing the Trusts being Administered and the Common Funds under Management.

a) Basis of accounting

Statement of Compliance

The financial statements are general purpose financial statements and 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*.

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

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 Public Trustee's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with accounting policy statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in these financial statements:
 - (i) revenues, expenses, financial assets and liabilities where the counter-party/transaction is with an entity within the SA Government as at reporting date, classified according to their nature;
 - (ii) expenses incurred as a result of engaging consultants;
 - (iii) employee targeted voluntary separation packages (TVSP) information;
 - (iv) employees whose normal remuneration is equal to or greater than the base executive remuneration level and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees; and
 - (v) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Public Trustee 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 operating cycle and presented in Australian currency.

b) Comparative information

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

Where presentation or classification of items in the financial statements has been amended, comparative amounts have been reclassified unless reclassification is impracticable. The restated comparative amounts do not replace the original financial statements for the preceding period.

For the year ended 30 June 2017 Public Trustee has not applied an accounting policy retrospectively or made a retrospective restatement of items or reclassified items in the financial statements.

c) Taxation and dividend

The *Public Trustee Act 1995*, through the provisions of Sections 47 and 48, provides for the payment to Government of taxation equivalents and dividends. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate be applied to the net profit. The Public Trustee consults with the Minister as to whether a dividend should be paid to the Treasurer for that financial year and, if so, as to the amount of the dividend.

Public Trustee is also liable for payroll tax, fringe benefits tax and goods and services tax.

d) Events after the reporting period

Where an event occurs after 30 June 2017 but provides information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements.

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

e) Basis of valuation

Non-current assets and liabilities with the exception of Employee Benefits, are carried at deemed fair value.

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.

Public Trustee 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.

Plant and Equipment

Plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation or amortisation. The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amounts from these assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining the recoverable amount. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. The acquisition of software is capitalised when the expenditure meets the definition and recognition criteria of an asset and when the amount of expenditure is greater than or equal to \$5,000. Software is measured at cost unless the asset is acquired for no cost or for a nominal amount and then the asset's fair value is deemed to be cost. All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 Intangible Assets are expensed.

Depreciation and Amortisation

Plant and equipment and intangible assets are depreciated or amortised on a straight-line basis over their estimated useful lives, commencing from the time the asset is held ready for use. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to physical assets such as plant and equipment.

The depreciation/amortisation rates used for each class of depreciable assets are:

<i>Class of fixed asset</i>	<i>Depreciation rate</i>
Plant and equipment	20% - 27%
Software	20% - 27%
Accommodation fit out	10%

Financial Instruments

Financial instruments are carried at fair value determined as below:

- Cash and cash equivalents: are valued at nominal amounts. This asset consists of cash at bank, on hand and short term money market deposits that are readily converted to cash and which are subject to insignificant risk of changes in value.
- Investments: on acquisition are brought to account at cost and subsequently revalued at the balance date to fair value. Fixed interest investments are classified as held at fair value through the profit or loss and valued at market value based on independently obtained market yields applying at the balance date. Investments currently held in pooled funds are valued at the fair value prices established by the managers of the collective investment vehicles in which Public Trustee has invested.

Financial Instruments - Recognition

Public Trustee recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Financial Instruments - Measurement

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

- Fair value in an active market
The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.
- Fair value of unlisted unit trusts
Investments in other unlisted unit trusts are recorded at the fair value as reported by the managers of such funds.

Financial Instruments - Classification

Investments in financial assets such as equities and units in unlisted schemes have been classified as 'Fair value through the profit or loss' and recognised in the Statement of Financial Position at fair value, with changes in fair value during the period recognised in the Statement of Comprehensive Income.

If any indication of impairment exists, an impairment loss is recognised in the Statement of Comprehensive Income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the Statement of Comprehensive Income.

Receivables and Payables are valued on a historical cost basis and it is considered that carrying value approximates market value.

Distributions from trust investments are recognised on a present entitlement basis.

f) Rounding

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

g) Income and expenses

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

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

Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds with carrying amounts.

Commissions and fees are charged against estates pursuant to Sections 44 and 45 of the *Public Trustee Act 1995* and other Acts.

h) Employee benefits

Provision has been made in the Financial Statements, where stated, for Public Trustee's liability for employee benefits arising from services rendered by employees to balance date that remain unpaid. Related on-costs consequential to the employment of employees (payroll tax and superannuation contributions) have been included under "Payables" (Refer Note 11).

Salaries and wages

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

Superannuation

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

Annual leave

Provision has been made for the unused component of annual leave to balance date. The provision has been calculated at nominal amounts based on current salary rates plus 3% inflation rate as recommended in Accounting Policy Framework IV, paragraphs 5.7 and 5.8.

Skills and experience retention leave

Skills and experience retention leave is recognised on a pro-rata basis up to balance date in respect of services provided by Public Trustee employees with greater than 15 years service. The skills and experience retention leave is expected to be payable within twelve months and is measured at the undiscounted amount expected to be paid.

Long service leave

Long service leave is recognised on a pro-rata basis in respect of services provided by Public Trustee employees up to balance date. The liability was measured by an actuarial assessment performed by the Department of Treasury and Finance based on Public Trustee employee data. 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. This calculation is consistent with Public Trustee's experience of employee retention and leave taken. Long service leave for officers who submitted resignations prior to the reporting date with termination dates early in the following financial year has been calculated at nominal value. The current liability portion has been based on the past history of annual payments.

Sick leave

No provision has been made in respect of sick leave, as entitlements are non-vesting. As sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised.

i) Leases

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

Operating lease payments are recognised as an expense in the 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.

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 Public Trustee in respect of operating leases are recorded as a reduction of rental expense over the lease term, on a straight line basis.

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

j) Insurance

Public Trustee has insured for risks through the State Government's insurers, SAICORP, a division of the South Australian Government Financing Authority. The excess payable under this arrangement varies depending on each class of insurance held.

k) Current and non-current items

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

l) Receivables

Receivables comprise debtors, accrued investment income, income tax equivalent refund due, prepayments and doubtful debts. Debtors arise in the normal course of selling goods and services to the public and other agencies. Trade receivables are payable within 30 days after the issue of an invoice or the services have been provided under a contractual arrangement.

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

m) Payables

Payables include creditors, accrued expenses, employment on-costs, income tax equivalents and Goods and Services Tax (refer Note 2(o)).

Creditors represent the amounts owing for goods and services received but not paid prior to the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of Public Trustee.

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

All amounts are measured at their nominal amount and are normally settled within 30 days after Public Trustee receives an invoice.

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

n) Provisions

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2017 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.

o) Accounting for the Goods and Services tax (GST)

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

- The amount of GST incurred by Public Trustee as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- Receivables and payables are stated with the amount of GST included.

The net GST payable to or recoverable from, the Australian Taxation Office has been recognised as a payable or receivable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of the cash flows arising from investing or financing activities, which is recoverable from, or payable to, the Australian Taxation Office, is classified as 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.

p) Disaggregated reporting

Disaggregated reporting has been deemed not appropriate for Public Trustee, as assets, liabilities, income and expenses attributable to different activities cannot be reliably determined.

q) Impairment

All assets are assessed annually for evidence of impairment at reporting date, where there is an indication of impairment, the recoverable amount is estimated. Any amount by which the carrying amount exceeds the recoverable amount is recorded as an impairment loss.

3 New and revised accounting standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Public Trustee for the period ending 30 June 2017. The Public Trustee has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements except as outlined below.

AASB 16 Leases will apply for the first time for the year to reporting periods beginning on or after 1 January 2019. The amended standard introduces a single accounting model for lessees eliminating the distinction between operating and finance leases.

The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset, and a lease liability representing its obligations to make lease payments.

In effect, the majority of leases currently classified as operating leases will be reported on the Statement of Financial Position. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.

This new standard is a significant change from the previous method of accounting for leases. It will require Public Trustee to record its operating lease arrangements in the financial statements. Public Trustee has not yet quantified the impact of applying AASB 16 to its current operating lease arrangements on the financial statements.

4 Income

a) Fees and charges

	2017	2016
	\$'000	\$'000
Commissions	10 298	10 351
Fees and charges	2 122	1 931
Management Fees ¹	9 005	8 454
Total fees and charges	21 425	20 736

¹ A management fee is charged against Common Funds at the rate of one-twelfth of one percent of the value of each fund as at the first business day of the month.

b) Interest

	2017	2016
	\$'000	\$'000
Interest on operating and reserve accounts	42	33
Interest on fixed term investments	544	598
Total interest	586	631

c) Other income

	2017	2016
	\$'000	\$'000
Recoupment of salaries and oncosts	81	-
Sundry income	169	14
Distributions from trusts	1 037	1 109
Total other income	1 287	1 123

5 Expenditure

a) Employee Benefits

	2017	2016
	\$'000	\$'000
Salaries and wages	12 534	12 000
Long service leave	505	718
Employment on-costs superannuation ⁽¹⁾	1 389	1 302
Employment on-costs other	685	658
Workers' compensation	50	10
Board and committee fees	18	19
Other employee related expenses	42	41
	15 223	14 748

⁽¹⁾ The superannuation employment on-cost charge represents the department's contributions to superannuation plans in respect of current services of current employees.

b) Remuneration of employees

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

	2017	2016
	Number of Employees	Number of Employees
\$157 001 - \$167 000	1	1
\$227 001 - \$237 000	-	1
\$237 001 - \$247 000	1	-
\$247 001 - \$257 000	1	1
\$297 001 - \$307 000	-	1
\$317 001 - \$327 000	1	-
	4	4

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 any fringe benefits tax paid or payable in respect of those benefits. Total remuneration received or due and receivable by these employees was \$969 000 (\$945 000).

c) Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2016-17 financial year were:

Public Trustee Audit and Risk Management Committee:-

Ms Virginia Hickey

Mr Chris Oerman

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

	2017 Number of Members	2016 Number of Members
\$0 - \$9 999	1	2
\$10 000 - \$19 999	1	1
	<u>2</u>	<u>3</u>

The total remuneration received or receivable by members was \$18 000 (\$19 000).

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

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

d) Supplies and services

	2017 \$'000	2016 \$'000
Minor works, maintenance and equipment	16	8
Insurance	289	264
Information technology	1 384	1 348
Accommodation and telecommunication	2 092	2 005
Legal expenses	20	18
Service contractors	1 366	1 125
Other Supplies and services	1 160	1 158
Auditors remuneration ¹	212	193
Consultancies ²	-	59
Total supplies and services	<u>6 539</u>	<u>6 178</u>

¹Audit fees paid/payable to the Auditor General's Department relating to work performed under the *Public Finance and Audit Act 1987*. No other services were provided by the Auditor-General's Department.

²Public Trustee paid no consultants in 2016-17. Public Trustee paid for one consultancy in 2015-16.

6 Receivables

	2017 \$'000	2016 \$'000
<i>Current receivables</i>		
Debtors	52	577
Doubtful debts	(5)	(3)
Accrued investment income	992	1 225
Prepayments	214	174
Total Receivables	<u>1 253</u>	<u>1 973</u>

Receivables are generally settled within 30 days after the issue of an invoice.

7 Financial assets

Public Trustee is required, pursuant to section 46(2)(c) of the *Public Trustee Act 1995*, to obtain the Treasurer's approval as to the manner of investment of corporate funds.

	2017 \$'000	2016 \$'000
<i>Non-current financial assets</i>		
Australian fixed interest	3 020	2 978
Australian fixed interest (pooled funds)	6 974	7 251
International equities (pooled funds)	3 837	3 529
Australian listed property (pooled funds)	1 710	1 886
Australian equities (pooled funds)	5 235	5 093
Total financial assets	20 776	20 737

8 Financial instruments

a) Fair value of financial assets and liabilities

Financial instruments are readily tradeable and carried at fair value based upon the valuation policies set out in Note 2(e). The aggregate carrying amounts for each class of financial instrument are as disclosed within the notes to the financial statements.

b) Investment in collective investment vehicles

In addition to holding financial instruments directly, Public Trustee has invested in collective investment vehicles for the purpose of gaining exposure to Australian and International assets. The managers of such vehicles have invested in a variety of financial instruments, which expose Public Trustee to investment risks, including market risk, credit risk, interest risk and currency risk. Public Trustee has assessed the investment rules of these collective investments and determined their suitability as investments.

c) Financial risk management

Public Trustee's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Public Trustee. Only Australian domiciled pooled funds are used for investments in overseas assets. These funds are not directly exposed to foreign exchange risk as the pooled funds are fully hedged against currency risk.

Management of risk is focused on both strategic and business process risk. Annually, an analysis of strategic risk is undertaken which is comprehensive and covers investment, financial, operational and administrative responsibilities of Public Trustee. Business processes are documented, key risks are identified and management strategies used to control these risks are in place.

d) Market risk

Price risk

Public Trustee is exposed to equity securities price risk. This arises from investments held by Public Trustee and classified on the Statement of Financial Position as financial assets at fair value through the profit or loss. Public Trustee is not directly exposed to commodity price risk, as the classes of investments include Australian shares, International shares and listed properties.

To manage its price risk arising from investments, Public Trustee diversifies its portfolio. Diversification of the portfolio is done in accordance with its Investment Guidelines. The analysis detailed below is based on the assumption that the market indexes had increased/decreased by a set percentage with all other variables held constant and all instruments moving according to the historical correlation with the index.

Cash flow and interest rate risk

Public Trustee's interest rate risk arises from cash investments, short term investments and Australian fixed interest investments. Instruments issued at fixed interest rates expose Public Trustee to fair value interest rate risk and variable rate instruments expose Public Trustee to cash flow interest rate risk. Public Trustee invests in short term money market instruments with maturities less than one year and with credit ratings that satisfy the credit rating requirements of Public Trustee's Cash Common Fund.

A sensitivity analysis is provided below, outlining the exposure to each type of market risk at reporting date, showing how profit or loss would be affected by the changes in the relevant risk variable that were reasonably possible at that date. All instruments are designated as financial assets at fair value through the profit or loss; therefore there is no direct impact on equity.

Sensitivity analysis – 30 June 2017

	Carrying Amount \$'000	Interest Rate Risk		Price Risk	
		- 1% State- ment of Compre- hensive Income \$'000	+ 1% State- ment of Compre- hensive Income \$'000	- 20% State- ment of Compre- hensive Income \$'000	+ 10% State- ment of Compre- hensive Income \$'000
Financial assets					
Cash and cash equivalents	7 990	(80)	80	-	-
Financial assets at fair value through profit or loss:					
Australian fixed interest	3020	(30)	30	-	-
Floating rate note					
Australian fixed interest (pooled funds)	6 974	(70)	70	-	-
International equities (pooled funds)	3 837	-	-	(767)	384
Australian listed property (pooled funds)	1 710	-	-	(342)	171
Australian equities (pooled funds)	5 235	-	-	(1 047)	524
Total (decrease)/increase		<u>(180)</u>	<u>180</u>	<u>(2 156)</u>	<u>1 079</u>

Sensitivity analysis – 30 June 2016

	Carrying Amount \$'000	Interest Rate Risk		Price Risk	
		- 1% State- ment of Compre- hensive Income \$'000	+ 1% State- ment of Compre- hensive Income \$'000	- 20% State- ment of Compre- hensive Income \$'000	+ 10% State- ment of Compre- hensive Income \$'000
Financial assets					
Cash and cash equivalents	6 343	(63)	63	-	-
Financial assets at fair value through profit or loss:					
Australian fixed interest	2 978	(30)	30	-	-
Floating rate note					
Australian fixed interest (pooled funds)	7 251	(73)	73	-	-
International equities (pooled funds)	3 529	-	-	(706)	353
Australian listed property (pooled funds)	1 886	-	-	(377)	189
Australian equities (pooled funds)	5 093	-	-	(1 019)	509
Total (decrease)/increase		<u>(166)</u>	<u>166</u>	<u>(2 102)</u>	<u>1 051</u>

e) Credit risk

Credit risk is managed at the corporate level. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to outstanding receivables and committed transactions. Public Trustee has no direct exposure to derivative instruments, thus credit risk arises primarily through investments with banking corporations.

Short-term money market instruments must have a short-term Standard & Poor's (S&P) rating of A1 or in the case of the issuer being a bank under the *Banking Act 1959* a rating of A2 is accepted. Floating rate

instruments must have a long-term S&P credit rating of A+ or better or where the counter party is a bank under the *Banking Act 1959* a rating of BBB or better is accepted.

If there is no independent rating, Public Trustee assesses the credit quality of the customer, taking into account its financial position and past experience. Pooled investment funds are not rated; however, Public Trustee has made a thorough assessment of all pooled funds managers in regard to credit and other risks prior to investing funds with each manager. The credit risk lies with the pooled fund manager responsible for the management of the underlying investments. Public Trustee continually monitors these assessments.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	2017 \$'000	2016 \$'000
<i>Cash at bank, short-term bank deposits and floating rate notes</i>		
A1+	2 590	2 343
A1	-	1 500
A2	5 400	2 500
Total cash at bank, short-term bank deposits and floating rate notes	7 990	6 343
	2017 \$'000	2016 \$'000
<i>Long-term bank deposits</i>		
A	3 020	2 978
Total long-term bank deposits	3 020	2 978
	2017 \$'000	2016 \$'000
<i>Trade receivables</i>		
<i>Counterparties with external ratings</i>		
A1	-	12
A1+	2	3
A2	40	25
A	6	7
<i>Counterparties without external ratings</i>		
Existing customers with no defaults in the past	991	1 752
Total trade receivables ⁽¹⁾	1 039	1 799

⁽¹⁾Receivables amounts disclosed above excluded prepayments. Prepayments are presented in note 6 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 future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

f) Liquidity risk

Public Trustee has working capital policies in place in order to maintain liquidity. Short-term investment analysis assists in determining the amount, if any, to be invested or reinvested in order to maintain working capital. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the ability to close out market positions. Public Trustee manage the liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

All current financial assets held to maturity have a maturity date within 12 months. Pooled Funds investments have no maturity date.

9 Plant and equipment

2017	Opening Balance	Addit -ions	Dispos- als	Deprec- iation	Revaluation / Other	Closing Balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Plant and equipment at cost	1 421	388	(481)	-	-	1 328
Accommodation fit-out	6 254	-	-	-	-	6 254
Work in progress at cost	26	(26)	-	-	-	0
Total plant and equipment	7 701	362	(481)	-	-	7 582
Less: accumulated depreciation						
Plant and equipment	(1 165)	-	478	(170)	-	(857)
Accommodation fit-out	(3 732)	-	-	(625)	-	(4 357)
Total accumulated depreciation	(4 897)	-	478	(795)	-	(5 214)
Net plant and equipment	2 804	362	(3)	(795)	-	2 368

2016	Opening Balance	Addit -ions	Dispos- als	Deprec- iation	Revaluation / Other	Closing Balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Plant and equipment at cost	1 308	138	(25)	-	-	1 421
Accommodation fit-out	6 254	-	-	-	-	6 254
Work in progress at cost	67	(41)	-	-	-	26
Total plant and equipment	7 629	97	(25)	-	-	7 701
Less: accumulated depreciation						
Plant and equipment	(1 048)	-	25	(142)	-	(1 165)
Accommodation fit-out	(3 107)	-	-	(625)	-	(3 732)
Total accumulated depreciation	(4 155)	-	25	(767)	-	(4 897)
Net plant and equipment	3 474	97	-	(767)	-	2 804

Plant and Equipment assets are classified as Level 3 assets for fair value purposes as valuation is based on management's assessment of useful life and condition. The significant input to the valuation is management's assessment of useful life which is disclosed in Note 2(e).

There have been no movements in the fair value of Plant and Equipment other than movements as a result of additions, disposals and current year depreciation as shown above.

10 Intangible assets

2017	Opening Balance \$'000	Addit -ions \$'000	Dispos- als \$'000	Amort- isation \$'000	Revaluation / Other \$'000	Closing Balance \$'000
Software at cost	6 731	133	(51)	-	-	6 813
Work in progress at cost	37	(37)	-	-	-	-
Less: accumulated amortisation	(6 380)	-	51	(175)	-	(6 504)
Total intangible assets	388	96	-	(175)	-	309

Work in progress items are transferred to intangible assets when ready for use.

2016	Opening Balance \$'000	Addit -ions \$'000	Dispos- als \$'000	Amort- isation \$'000	Revaluation / Other \$'000	Closing Balance \$'000
Software at cost	6 531	200	-	-	-	6 731
Work in progress at cost	130	(93)	-	-	-	37
Less: accumulated amortisation	(6 225)	-	-	(155)	-	(6 380)
Total intangible assets	436	107	-	(155)	-	388

11 Payables

	2017 \$'000	2016 \$'000
<i>Current liabilities</i>		
Trade creditors and accrued expenses	772	507
Income tax equivalents	177	-
GST payable	80	120
Employment on-costs	340	285
	1 369	912
<i>Non-current liabilities</i>		
Employment on-costs	398	421
Total payables	1 767	1 333

12 Employee benefits

	2017 \$'000	2016 \$'000
<i>Current Liabilities</i>		
Long service leave ¹	656	478
Accrued salaries	238	190
Annual leave ²	875	798
Skills and experience retention leave ²	158	157
	1 927	1 623
<i>Non-current liabilities</i>		
Long service leave ¹	3 802	4 184
Total employee benefits	5 729	5 807

¹The actuarial assessment performed by the Department of Treasury and Finance has provided the basis for the measurement of the 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 increased to 2.5% (2%). The net financial effect of the increase in the bond yield is a decrease in the long service leave liability of \$126 000 and

employee benefits expense of \$126 000. The actuarial assessment did not change the salary inflation rate assumption of 4 % for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate. Accounting Policy Framework IV outlines that the proportion of long service estimated to be taken as leave, remains at 40% (40%).

²The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 3% for annual leave and skills, experience and retention leave liability.

13 Provisions

	2017 \$'000	2016 \$'000
<i>Current Liabilities</i>		
Provision for dividend to State Government ¹	-	-
Provision for workers' compensation ²	18	18
	<u>18</u>	<u>18</u>
<i>Non-current Liabilities</i>		
Provision for workers' compensation ²	32	31
Total provisions	<u>50</u>	<u>49</u>
	2017 \$'000	2016 \$'000
<i>Provisions for dividend</i>		
Provision for dividend to State Government at 1 July ¹	-	-
Add: additional provision recognised ¹	57	229
Less: payments to State Government	(57)	(229)
Provision for dividend at 30 June	<u>-</u>	<u>-</u>
	2017 \$'000	2016 \$'000
<i>Provision for workers' compensation</i>		
Provision for workers' compensation at 1 July	49	51
Add: Increase in provision	1	10
Less: payments from provision	-	(12)
Provision for workers' compensation at 30 June	<u>50</u>	<u>49</u>

¹In accordance with the Public Trustee Charter, agreed by the Attorney-General and Treasurer, any differences between forecast profit and audited profit will be addressed through an adjustment to the final dividend in the following financial year. No additional dividend was paid for 2015-16. In 2016-17 an interim dividend of \$57,000 (2015-16 interim dividend of \$2,000) was paid to the Government.

²A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2017 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.

14 Contingencies

Public Trustee had no known contingent assets or liabilities as at balance date.

15 Related Party Transactions

Public Trustee is a Government Business Enterprise and is wholly owned and controlled by the SA Government.

Related parties of Public Trustee include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Significant transactions with government related entities

During the reporting period Public Trustee had no individually significant transactions with government related entities.

Collectively, but not individually significant transactions with government related entities.

Quantitative information about transactions and balances between Public Trustee and other SA Government entities are disclosed at Note 19.

Key Management Personnel

Key management personnel of the department include the Attorney-General, the Chief Executive, Attorney-General's Department and the Public Trustee Executive who have responsibility for the strategic direction and management of the office. The compensation detailed below excludes salaries and other benefits the Attorney-General receives; the Attorney-General's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*. The compensation detailed below also excludes the salaries and other benefits the Chief Executive, Attorney-General's Department receives, as these are paid by the Attorney-General's Department.

Compensation

	2017 \$'000	2016 \$'000
Salaries and other short term employee benefits	701	na
Post-employment benefits	110	na
Total Compensation	811	na

Transactions with key management personnel and other related parties

There were no material transactions or balances to disclose with key management personnel and other related parties.

16 Cash flow reconciliation

a) Reconciliation of cash and cash equivalents

	2017 \$'000	2016 \$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	7 990	6 343
Balance as per the Statement of Cash Flows	7 990	6 343

b) Reconciliation of profit/loss after income tax equivalents to net cash provided by operating activities

	2017 \$'000	2016 \$'000
Profit/(Loss) for the year after income tax equivalent	419	10
Add/Less non cash items:-		
Depreciation and amortisation	970	922
Lease incentive	(267)	(268)
Unrealised loss (gain) on financial assets	(36)	628
Loss (Gain) on disposal of equipment	4	-
Change in assets and liabilities:-		
Decrease (Increase) in receivables	721	(1 042)
Increase (Decrease) in payables	264	(109)
Increase (Decrease) in employee benefits and on-costs	(45)	228
Increase (Decrease) in provisions	(1)	(2)
Increase (Decrease) in income tax equivalents	177	(141)
(Decrease) Increase in GST liability	(40)	(206)
Net cash provided by operating activities	2 166	20

c) Reconciliation of dividend paid to State Government

	2017 \$'000	2016 \$'000
Final dividend paid for 2014-15	-	227
Interim dividend paid for 2015-16	-	2
Final dividend paid for 2015-16	-	-
Interim dividend paid for 2016-17	57	-
Total dividend paid	<u>57</u>	<u>229</u>

17 Cash and cash equivalents

	2017 \$'000	2016 \$'000
<i>Cash and cash equivalents</i>		
Cash	2 590	2 343
Short term financial assets held to maturity	5 400	4 000
	<u>7 990</u>	<u>6 343</u>

18 Unrecognised contractual commitments

	2017 \$'000	2016 \$'000
<i>Operating lease commitments</i>		
One year or less	2 116	2 127
Later than one year but no longer than five years	4 227	6 654
Later than five years	-	-
Total operating lease commitments	<u>6 343</u>	<u>8 781</u>

Public Trustee's operating leases are for office accommodation. Office accommodation is leased from the Department of Planning, Transport and Infrastructure. The leases are non-cancellable and expire in May 2020. Rent is payable monthly in advance.

19 Transactions with SA Government

	Note	SA Government		Non-SA Government		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Income							
Fees and charges	4(a)	-	-	21 425	20 736	21 425	20 736
<i>Interest</i>	4(b)						
Interest on operating account		42	33	-	-	42	33
Interest on fixed term investments		-	-	544	598	544	598
<i>Other income</i>	4(c)						
Sundry Income		-	-	169	14	169	14
Distributions from trusts		-	-	1 037	1 109	1 037	1 109
Recoupment of salaries and oncosts		81	-	-	-	81	-
Unrealised gains on financial assets		-	-	36	-	36	-
Total income		<u>123</u>	<u>33</u>	<u>23 211</u>	<u>22 457</u>	<u>23 334</u>	<u>22 490</u>

Public Trustee
CORPORATE

	Note	SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses							
<i>Employee Benefit Expenses</i>	5	685	658	14 538	14 090	15 223	14 748
<i>Supplies and services</i>	5(d)						
Insurance		289	264	-	-	289	264
Information technology		329	371	1 055	977	1 384	1 348
Accommodation and telecommunication		2 062	1 975	30	30	2 092	2 005
Legal expenses		20	18	-	-	20	18
Service contractors		674	681	692	444	1 366	1 125
Other supplies and services		118	116	1 042	1 042	1 160	1 158
Auditors remuneration		212	193	-	-	212	193
Minor works, maintenance and equipment		-	-	16	8	16	8
Consultancies		-	-	-	59	-	59
<i>Total supplies and services</i>		3 704	3 618	2 835	2 560	6 539	6 178
Loss from disposal of fixed assets		-	-	4	-	4	-
Unrealised losses on financial assets		-	-	-	628	-	628
Total Expenses		4 389	4 276	17 377	17 278	21 766	21 554

	Note	SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets							
<i>Current assets</i>							
<i>Cash</i>							
Cash and cash equivalents	16	2 590	2 343	5 400	4 000	7 990	6 343
<i>Receivables</i>	6						
Debtors		8	171	44	406	52	577
Doubtful debts		-	-	(5)	(3)	(5)	(3)
Accrued investment income		2	3	990	1 222	992	1 225
Prepayments		-	-	214	174	214	174
<i>Total Current Assets</i>		2 600	2 517	6 643	5 799	9 243	8 316
<i>Non-current assets</i>							
Financial assets	7,8	-	-	20 776	20 737	20 776	20 737
Total financial assets		2 600	2 517	27 419	26 536	30 019	29 053

	Note	SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities							
<i>Payables</i>	11						
Trade creditors		364	261	408	246	772	507
Income tax equivalents		177	-	-	-	177	-
On-costs on employee benefits		357	359	381	347	738	706
Goods and services tax		-	-	80	120	80	120
Total financial liabilities		898	620	869	713	1 767	1 333

Public Trustee
COMMON FUNDS

Cash Common Fund
Statement of Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Investment income			
Interest	2(e)	14 154	14 327
Net gain / (loss) on financial assets held at fair value through profit or loss	2(b), 3(d)	266	(1 032)
Other income		-	6
Total investment income		14 420	13 301
Expenses			
Public Trustee management fees	2(f)	5 077	4 604
Legal and advisory expenses		115	110
Other expenses		27	29
Total expenses		5 219	4 743
Net operating profit		9 201	8 558
Financing costs attributable to unitholders			
Undistributed income brought forward		1 004	1 027
Distributions to unitholders	2(h), 4	(9 115)	(9 613)
Transfers (to) / from net assets to determine distributable income	2(i)	(266)	1 032
Total financing costs attributable to unitholders		(8 377)	(7 554)
(Increase) in net assets attributable to unitholders		(824)	(1 004)
Total comprehensive income for the year		-	-

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

Cash Common Fund
Statement of Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Assets:			
Cash and cash equivalents	5	22 090	16 002
Advances to estates		8 277	3 148
Financial assets held at fair value through profit or loss	6	450 037	411 020
Other assets		3 761	2 536
Total assets		484 165	432 706
Liabilities:			
Income distribution payable		824	1 004
Bank overdraft	5	-	198
Funds deposited by other Common Funds		82 399	50 992
Other liabilities		25	54
Total liabilities (excluding net assets attributable to unitholders)		83 248	52 248
Net assets attributable to unitholders - liability	3(c)	400 917	380 458
Represented by:			
Fair value of outstanding units based on net asset value		400 917	380 458

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

**Cash Common Fund
Statement of Cash Flows
for the year ended 30 June 2017**

	Note	2017 Inflows (Outflows) \$'000	2016 Inflows (Outflows) \$'000
Cash flows from operating activities:			
Cash inflows			
Interest received		13 144	15 338
Cash generated from operations		<u>13 144</u>	<u>15 338</u>
Cash outflows			
Payments for expenses		(5 248)	(4 715)
Cash used in operations		<u>(5 248)</u>	<u>(4 715)</u>
Net cash provided by operating activities	10(b)	<u>7 896</u>	<u>10 623</u>
Cash flows from investing activities:			
Cash inflows			
Proceeds from the sale of financial assets held at fair value through profit or loss		273 988	277 366
Net repayments of advances to estates		(5 128)	1 478
Cash generated from investing activities		<u>268 860</u>	<u>278 844</u>
Cash outflows			
Purchase of financial assets held at fair value through profit or loss		(312 953)	(281 512)
Cash used in investing activities		<u>(312 953)</u>	<u>(281 512)</u>
Net cash (used in) investing activities		<u>(44 093)</u>	<u>(2 668)</u>
Cash flows from financing activities:			
Cash inflows			
Net proceeds/payments from applications/redemptions from/(to) unitholders		20 190	15 248
Net proceeds/payments from applications/redemptions from/(to) other Common Funds		31 408	(10 691)
Cash generated from financing activities		<u>51 598</u>	<u>4 557</u>
Cash outflows			
Distributions paid		(9 115)	(9 613)
Cash used in financing activities		<u>(9 115)</u>	<u>(9 613)</u>
Net cash provided by / (used in) financing activities		<u>42 483</u>	<u>(5 056)</u>
Net increase in cash and cash equivalents		<u>6 286</u>	<u>2 899</u>
Cash and cash equivalents at 1 July		<u>15 804</u>	<u>12 905</u>
Cash and cash equivalents at 30 June	5	<u><u>22 090</u></u>	<u><u>15 804</u></u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

Short Term Fixed Interest Common Fund
Statement of Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Investment income			
Interest	2(e)	1 484	1 572
Net (loss) on financial assets held at fair value through profit or loss	2(b), 3(d)	(94)	(237)
Other Income		-	2
Total investment income		1 390	1 337
Expenses			
Public Trustee management fees	2(f)	350	336
Legal and advisory expenses		8	8
Total expenses		358	344
Net operating profit		1 032	993
Financing costs attributable to unitholders			
Undistributed Income brought forward		609	687
Distributions to unitholders	2(h), 4	(1 176)	(1 308)
Transfers from net assets to determine distributable income	2(i)	94	237
Total financing costs attributable to unitholders		(473)	(384)
(Increase) in net assets attributable to unitholders		(559)	(609)
Total comprehensive income for the year		-	-

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

Short Term Fixed Interest Common Fund
Statement of Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Assets:			
Cash and cash equivalents	5	23 567	17 854
Financial assets held at fair value through profit or loss	6	32 650	31 388
Other assets		288	304
Total assets		56 505	49 546
Liabilities:			
Income distribution payable		559	609
Other liabilities		1	2
Total liabilities (excluding net assets attributable to unitholders)		560	611
Net assets attributable to unitholders - liability	3(c)	55 945	48 935
Represented by:			
Fair value of outstanding units based on net asset value		55 945	48 935

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

Short Term Fixed Interest Common Fund
Statement of Cash Flows
for the year ended 30 June 2017

	Note	2017 Inflows (Outflows) \$'000	2016 Inflows (Outflows) \$'000
Cash flows from operating activities:			
Cash inflows			
Interest received		1 592	1 701
Cash generated from operations		1 592	1 701
Cash outflows			
Payments for expenses		(358)	(344)
Cash used in operations		(358)	(344)
Net cash provided by operating activities	10(b)	1 234	1 357
Cash flows from investing activities:			
Cash inflows			
Proceeds from the sale of financial assets held at fair value through profit or loss		23 551	12 007
Cash generated from investing activities		23 551	12 007
Cash outflows			
Purchase of financial assets held at fair value through profit or loss		(25 000)	(11 500)
Cash used in investing activities		(25 000)	(11 500)
Net cash (used in) / provided by investing activities		(1 449)	507
Cash flows from financing activities:			
Cash inflows			
Proceeds from applications by unitholders		17 411	4 770
Cash generated from financing activities		17 411	4 770
Cash outflows			
Payments for redemptions by unitholders		(10 307)	(6 956)
Distributions paid		(1 176)	(1 308)
Cash used in financing activities		(11 483)	(8 264)
Net cash provided by / (used in) financing activities		5 928	(3 494)
Net increase / (decrease) in cash and cash equivalents		5 713	(1 630)
Cash and cash equivalents at 1 July		17 854	19 484
Cash and cash equivalents at 30 June	5	23 567	17 854

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

Public Trustee
COMMON FUNDS

Long Term Fixed Interest Common Fund
Statement of Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Investment income			
Interest	2(e)	3 125	3 387
Net (loss) / gain on financial assets held at fair value through profit or loss	2(b), 3(d)	(1 641)	916
Other Income		-	4
Total investment income		1 484	4 307
Expenses			
Public Trustee management fees	2(f)	689	706
Legal and advisory expenses		16	17
Total expenses		705	723
Net operating profit		779	3 584
Financing costs attributable to unitholders			
Undistributed Income brought forward		1 321	1 459
Distributions to unitholders	2(h), 4	(2 583)	(2 806)
Transfers from / (to) net assets to determine distributable income	2(i)	1 653	(916)
Total financing costs attributable to unitholders		391	(2 263)
(Increase) in net assets attributable to unitholders		(1 170)	(1 321)
Total comprehensive income for the year		-	-

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

Long Term Fixed Interest Common Fund
Statement of Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Assets:			
Cash and cash equivalents	5	29 662	24 280
Financial assets held at fair value through profit or loss	6	63 026	66 849
Other assets		557	713
Total assets		93 245	91 842
Liabilities:			
Income Distribution Payable		1 170	1 321
Other liabilities		-	4
Total liabilities (excluding net assets attributable to unitholders)		1 170	1 325
Net assets attributable to unitholders - liability	3(c)	92 075	90 517
Represented by:			
Fair value of outstanding units based on net asset value		92 075	90 517

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

Long Term Fixed Interest Common Fund
Statement of Cash Flows
for the year ended 30 June 2017

	Note	2017 Inflows (Outflows) \$'000	2016 Inflows (Outflows) \$'000
Cash flows from operating activities:			
Cash inflows			
Interest received		3 449	3 577
Cash generated from operations		<u>3 449</u>	<u>3 577</u>
Cash outflows			
Payments for expenses		(708)	(720)
Cash used in operations		<u>(708)</u>	<u>(720)</u>
Net cash provided by operating activities	10(b)	<u>2 741</u>	<u>2 857</u>
Cash flows from investing activities:			
Cash inflows			
Proceeds from the sale of financial assets held at fair value through profit or loss		33 513	6 000
Cash generated from investing activities		<u>33 513</u>	<u>6 000</u>
Cash outflows			
Purchase of financial assets held at fair value through profit or loss		(31 500)	(6 000)
Cash used in investing activities		<u>(31 500)</u>	<u>(6 000)</u>
Net cash provided by investing activities		<u>2 013</u>	<u>-</u>
Cash flows from financing activities:			
Cash inflows			
Proceeds from applications by unitholders		19 738	8 222
Cash generated from financing activities		<u>19 738</u>	<u>8 222</u>
Cash outflows			
Payments for redemptions by unitholders		(16 527)	(11 571)
Distributions paid		(2 583)	(2 806)
Cash used in financing activities		<u>(19 110)</u>	<u>(14 377)</u>
Net cash provided by / (used in) financing activities		<u>628</u>	<u>(6 155)</u>
Net increase / (decrease) in cash and cash equivalents		<u>5 382</u>	<u>(3 298)</u>
Cash and cash equivalents at 1 July		<u>24 280</u>	<u>27 578</u>
Cash and cash equivalents at 30 June	5	<u>29 662</u>	<u>24 280</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

Overseas Fixed Interest Common Fund
Statement of Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Investment income			
Trust Distributions		3 335	895
Interest	2(e)	208	84
Net (loss) / gain on financial assets held at fair value through profit or loss	2(b), 3(d)	(2 324)	896
Other Income		74	80
Total investment income		<u>1 293</u>	<u>1 955</u>
Expenses			
Public Trustee management fees	2(f)	422	391
Legal and advisory expenses		10	9
Total expenses		<u>432</u>	<u>400</u>
Net operating profit		<u>861</u>	<u>1 555</u>
Financing costs attributable to unitholders			
Undistributed Income brought forward		426	308
Distributions to unitholders	2(h), 4	(1 211)	(541)
Transfers from / (to) net assets to determine distributable income	2(i)	2 324	(896)
Total Financing costs attributable to unitholders		<u>1 539</u>	<u>(1 129)</u>
(Increase) in net assets attributable to unitholders		<u>(2 400)</u>	<u>(426)</u>
Total comprehensive income for the year		<u>-</u>	<u>-</u>

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

Overseas Fixed Interest Common Fund
Statement of Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Assets:			
Cash and cash equivalents	5	15 152	4 107
Financial assets held at fair value through profit or loss	6	37 588	39 838
Other assets		1 601	359
Total assets		<u>54 341</u>	<u>44 304</u>
Liabilities:			
Income distribution payable		2 400	426
Other liabilities		-	2
Total liabilities (excluding net assets attributable to unitholders)		<u>2 400</u>	<u>428</u>
Net assets attributable to unitholders - liability	3(c)	<u>51 941</u>	<u>43 876</u>
Represented by:			
Fair value of outstanding units based on net asset value		<u>51 941</u>	<u>43 876</u>

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

Overseas Fixed Interest Common Fund
Statement of Cash Flows
for the year ended 30 June 2017

	Note	2017 Inflows (Outflows) S'000	2016 Inflows (Outflows) S'000
Cash flows from operating activities:			
Cash inflows			
Trust distributions received		2 108	886
Interest received		194	84
Cash generated from operations		<u>2 302</u>	<u>970</u>
Cash outflows			
Payments for expenses		(434)	(400)
Cash used in operations		<u>(434)</u>	<u>(400)</u>
Net cash provided by operating activities	10(b)	<u>1 868</u>	<u>570</u>
Cash flows from investing activities:			
Cash inflows			
Proceeds from the sale of financial assets held at fair value through profit or loss		-	-
Cash generated from investing activities		<u>-</u>	<u>-</u>
Cash outflows			
Purchase of financial assets held at fair value through profit or loss		-	(4 000)
Cash used in investing activities		<u>-</u>	<u>(4 000)</u>
Net cash (used in) investing activities		<u>-</u>	<u>(4 000)</u>
Cash flows from financing activities:			
Cash inflows			
Proceeds from applications by unitholders		14 890	7 996
Cash generated from financing activities		<u>14 890</u>	<u>7 996</u>
Cash outflows			
Payments for redemptions by unitholders		(4 502)	(3 676)
Distributions paid		(1 211)	(541)
Cash used in financing activities		<u>(5 713)</u>	<u>(4 217)</u>
Net cash provided by financing activities		<u>9 177</u>	<u>3 779</u>
Net increase in cash and cash equivalents		<u>11 045</u>	<u>349</u>
Cash and cash equivalents at 1 July		<u>4 107</u>	<u>3 758</u>
Cash and cash equivalents at 30 June	5	<u>15 152</u>	<u>4 107</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

**Australian Shares Common Fund
Statement of Comprehensive Income
for the year ended 30 June 2017**

	Note	2017 \$'000	2016 \$'000
Investment income			
Trust Distributions		15 875	5 035
Interest	2(e)	114	71
Net gain on financial assets held at fair value through profit or loss	2(b), 3(d)	7 879	2 128
Other Income		668	574
Total investment income		24 536	7 808
Expenses			
Public Trustee management fees	2(f)	1 682	1 660
Legal and advisory expenses		39	40
Total expenses		1 721	1 700
Net operating profit		22 815	6 108
Financing costs attributable to unitholders			
Undistributed Income brought forward		2 174	5 145
Distributions to unitholders	2(h), 4	(7 648)	(6 951)
Transfers (to) net assets to determine distributable income	2(i)	(4 629)	(2 128)
Total financing costs attributable to unitholders		(10 103)	(3 934)
(Increase) in net assets attributable to unitholders		(12 712)	(2 174)
Total comprehensive income for the year		-	-

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

**Australian Shares Common Fund
Statement of Financial Position
as at 30 June 2017**

	Note	2017 \$'000	2016 \$'000
Assets:			
Cash and cash equivalents	5	5 361	2 204
Financial assets held at fair value through profit or loss	6	151 698	161 152
Other assets		12 427	2 471
Total assets		169 486	165 827
Liabilities:			
Income Distribution Payable		12 712	2 174
Other liabilities		-	10
Total liabilities (excluding net assets attributable to unitholders)		12 712	2 184
Net assets attributable to unitholders - liability	3(c)	156 774	163 643
Represented by:			
Fair value of outstanding units based on net asset value		156 774	163 643

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

Australian Shares Common Fund
Statement of Cash Flows
for the year ended 30 June 2017

	Note	2017 Inflows (Outflows) \$'000	2016 Inflows (Outflows) \$'000
Cash flows from operating activities:			
Cash inflows			
Trust distributions received		5 922	8 216
Interest received		111	74
Cash generated from operations		<u>6 033</u>	<u>8 290</u>
Cash outflows			
Payments for expenses		(1 730)	(1 690)
Cash used in operations		<u>(1 730)</u>	<u>(1 690)</u>
Net cash provided by operating activities	10(b)	<u>4 303</u>	<u>6 600</u>
Cash flows from investing activities:			
Cash inflows			
Proceeds from the sale of financial assets held at fair value through profit or loss		20 000	-
Cash generated from investing activities		<u>20 000</u>	<u>-</u>
Cash outflows			
Purchase of financial assets held at fair value through profit or loss		(2 000)	-
Cash used in investing activities		<u>(2 000)</u>	<u>-</u>
Net cash provided by investing activities		<u>18 000</u>	<u>-</u>
Cash flows from financing activities:			
Cash inflows			
Proceeds from applications by unitholders		25 514	16 708
Cash generated from financing activities		<u>25 514</u>	<u>16 708</u>
Cash outflows			
Payments for redemptions by unitholders		(37 012)	(17 870)
Distributions paid		(7 648)	(6 951)
Cash used in financing activities		<u>(44 660)</u>	<u>(24 821)</u>
Net cash (used in) financing activities		<u>(19 146)</u>	<u>(8 113)</u>
Net increase / (decrease) in cash and cash equivalents		<u>3 157</u>	<u>(1 513)</u>
Cash and cash equivalents at 1 July		<u>2 204</u>	<u>3 717</u>
Cash and cash equivalents at 30 June	5	<u>5 361</u>	<u>2 204</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

**Overseas Shares Common Fund
Statement of Comprehensive Income
for the year ended 30 June 2017**

	Note	2017 \$'000	2016 \$'000
Investment income			
Trust Distributions		11 555	14 647
Interest	2(e)	158	104
Net gain / (loss) on financial assets held at fair value through profit or loss	2(b), 3(d)	9 325	(15 999)
Other Income		229	362
Total investment income		<u>21 267</u>	<u>(886)</u>
Expenses			
Public Trustee management fees	2(f)	1 239	1 302
Legal and advisory expenses		28	31
Total Expenses		<u>1 267</u>	<u>1 333</u>
Net operating profit		<u>20 000</u>	<u>(2 219)</u>
Financing costs attributable to unitholders			
Undistributed Income brought forward		15 116	783
Distributions to unitholders	2(h), 4	(15 735)	(7 957)
Transfers (to) / from net assets to determine distributable income	2(i)	(8 732)	24 509
Total financing costs attributable to unitholders		<u>(9 351)</u>	<u>17 335</u>
(Increase) in net assets attributable to unitholders		<u>(10 649)</u>	<u>(15 116)</u>
Total comprehensive income for the year		<u>-</u>	<u>-</u>

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

**Overseas Shares Common Fund
Statement of Financial Position
as at 30 June 2017**

	Note	2017 \$'000	2016 \$'000
Assets:			
Cash and cash equivalents	5	4 618	1 117
Financial assets held at fair value through profit or loss	6	130 645	98 092
Other assets		11 346	14 416
Total assets		<u>146 609</u>	<u>113 625</u>
Liabilities:			
Income distribution payable		10 649	15 116
Other liabilities		-	7
Total liabilities (excluding net assets attributable to unitholders)		<u>10 649</u>	<u>15 123</u>
Net assets attributable to unitholders - liability	3(c)	<u>135 960</u>	<u>98 502</u>
Represented by:			
Fair value of outstanding units based on net asset value		135 960	98 502

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

Overseas Shares Common Fund
Statement of Cash Flows
for the year ended 30 June 2017

	Note	2017 Inflows (Outflows) \$'000	2016 Inflows (Outflows) \$'000
Cash flows from operating activities:			
Cash inflows			
Trust distributions received		14 631	15 234
Interest received		154	108
Cash generated from operations		<u>14 785</u>	<u>15 342</u>
Cash outflows			
Payments for expenses		(1 275)	(1 324)
Cash used in operations		<u>(1 275)</u>	<u>(1 324)</u>
Net cash provided by operating activities	10(b)	<u>13 510</u>	<u>14 018</u>
Cash flows from investing activities:			
Cash inflows			
Proceeds from the sale of financial assets held at fair value through profit or loss		2 000	30 750
Cash generated from investing activities		<u>2 000</u>	<u>30 750</u>
Cash outflows			
Purchase of financial assets held at fair value through profit or loss		(25 000)	(17 250)
Cash used in investing activities		<u>(25 000)</u>	<u>(17 250)</u>
Net cash (used in) / provided by investing activities		<u>(23 000)</u>	<u>13 500</u>
Cash flows from financing activities:			
Cash inflows			
Proceeds from applications by unitholders		38 873	9 454
Cash generated from financing activities		<u>38 873</u>	<u>9 454</u>
Cash outflows			
Payments for redemptions by unitholders		(10 147)	(32 037)
Distributions paid		(15 735)	(7 957)
Cash used in financing activities		<u>(25 882)</u>	<u>(39 994)</u>
Net cash provided by / (used in) financing activities		<u>12 991</u>	<u>(30 540)</u>
Net increase / (decrease) in cash and cash equivalents		3 501	(3 022)
Cash and cash equivalents at 1 July		1 117	4 139
Cash and cash equivalents at 30 June	5	<u>4 618</u>	<u>1 117</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

Property Common Fund
Statement of Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Investment income			
Trust Distributions		10 143	4 436
Interest	2(e)	181	114
Net (loss) / gain on financial assets held at fair value through profit or loss	2(b), 3(d)	(4 587)	5 012
Other Income		122	116
Total investment income		5 859	9 678
Expenses			
Public Trustee management fees	2(f)	852	564
Legal and advisory expenses		19	14
Total expenses		871	578
Net operating profit		4 988	9 100
Financing costs attributable to unitholders			
Undistributed Income brought forward		5 117	4 520
Distributions to unitholders	2(h), 4	(5 784)	(4 745)
Transfers from / (to) net assets to determine distributable income	2(i)	4 837	(3 758)
Total Financing costs attributable to unitholders		4 170	(3 983)
(Increase) in net assets attributable to unitholders		(9 158)	(5 117)
Total comprehensive income for the year		-	-

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

Property Common Fund
Statement of Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Assets:			
Cash and cash equivalents	5	4 040	1 430
Financial assets held at fair value through profit or loss	6	90 860	70 198
Other assets		9 019	3 977
Total assets		103 919	75 605
Liabilities:			
Income distribution payable		9 158	5 117
Other liabilities		-	4
Total liabilities (excluding net assets attributable to unitholders)		9 158	5 121
Net assets attributable to unitholders - liability	3(c)	94 761	70 484
Represented by:			
Fair value of outstanding units based on net asset value		94 761	70 484

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

Property Common Fund
Statement of Cash Flows
for the year ended 30 June 2017

	Note	2017 Inflows (Outflows) \$'000	2016 Inflows (Outflows) \$'000
Cash flows from operating activities:			
Cash inflows			
Trust distributions received		5 104	4 409
Interest received		179	117
Cash generated from operations		<u>5 283</u>	<u>4 526</u>
Cash outflows			
Payments for expenses		(876)	(574)
Cash used in operations		<u>(876)</u>	<u>(574)</u>
Net cash provided by operating activities	10(b)	<u>4 407</u>	<u>3 952</u>
Cash flows from investing activities:			
Cash inflows			
Proceeds from the sale of financial assets held at fair value through profit or loss		1 000	4 000
Cash generated from investing activities		<u>1 000</u>	<u>4 000</u>
Cash outflows			
Purchase of financial assets held at fair value through profit or loss		(26 127)	(26 939)
Cash used in investing activities		<u>(26 127)</u>	<u>(26 939)</u>
Net cash (used in) / provided by investing activities		<u>(25 127)</u>	<u>(22 939)</u>
Cash flows from financing activities:			
Cash inflows			
Proceeds from applications by unitholders		37 275	27 677
Cash generated from financing activities		<u>37 275</u>	<u>27 677</u>
Cash outflows			
Payments for redemptions by unitholders		(8 161)	(5 520)
Distributions paid		(5 784)	(4 745)
Cash used in financing activities		<u>(13 945)</u>	<u>(10 265)</u>
Net cash provided by / (used in) financing activities		<u>23 330</u>	<u>17 412</u>
Net (decrease) / increase in cash and cash equivalents		<u>2 610</u>	<u>(1 575)</u>
Cash and cash equivalents at 1 July		<u>1 430</u>	<u>3 005</u>
Cash and cash equivalents at 30 June	5	<u>4 040</u>	<u>1 430</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

Notes to and forming part of the financial statements

1. General information

The Common Funds have been established pursuant to the *Public Trustee Act 1995* or its predecessor legislation. The following Common Funds were active for the whole of the current and comparative reporting periods:

- Cash Common Fund;
- Short Term Fixed Interest Common Fund;
- Long Term Fixed Interest Common Fund;
- Australian Shares Common Fund;
- Overseas Fixed Interest Common Fund;
- Overseas Shares Common Fund; and
- Property Common Fund.

The Inflation Linked Investments Common Fund was dormant throughout 2016-17 (and 2015-16), has nil assets and liabilities and has not been reported.

Investment in Common Funds (with the exception of direct investment in the Cash Common Fund) is by way of notional unit holdings in the Common Funds. Unitholders may invest in the Cash Common Fund or alternately invest in a selection of Common Funds in proportions determined by one or more of the following standard investment strategies provided by Public Trustee:

- | | |
|------------------|------------|
| • Capital Stable | • Growth |
| • Balanced | • Equities |

Management of Common Fund investments is undertaken by Public Trustee. An Investment Advisory Committee consisting of senior Public Trustee personnel, with attendance by external investment advisors, assists the Public Trustee in ensuring a sound and prudent system for investing client funds.

Australian and International Equity investments, Property investments together with Overseas Fixed Interest investments are made using Australian domiciled pooled funds.

2. Summary of significant accounting policies

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

(a) Basis of accounting

Comparative Information

The presentation and classification of items in the financial statements are consistent with prior periods.

Statement of Compliance

The Public Trustee Common Funds financial statements are general purpose financial statements and have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions issued pursuant to the provisions of the *Public Finance and Audit Act 1987*.

Basis of Preparation

The Public Trustee Common Funds financial statements have been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. The statements have also been prepared on the basis that all funds are distributable to unitholders resulting in zero residual equity. On this basis, the Statement of Changes in Equity has not been included for reporting purposes as the changes in equity are zero.

(b) Financial instruments

(i) Classification

The Funds' investments are classified as at fair value through profit or loss.

These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments, unlisted trusts, unlisted equity instruments and commercial paper. Other assets/liabilities comprise amounts due to or from the Common Funds.

2. Summary of significant accounting policies (continued)

(ii) Recognition

The Funds recognise financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

(iii) Measurement

(a) Financial Assets held at fair value through the profit or loss

Financial assets and liabilities are held at fair value through the profit or loss. Investments in pooled funds are recorded at fair value as reported by the managers of such funds. Public Trustee has determined the fair value of financial assets to be the market value of these investments at balance date. Accounting Standard *AASB 7 Financial Instruments: Disclosures* requires disclosure of the measurement methodology used to value financial instruments. Public Trustee invests through fund managers and utilises pricing data provided by those managers which is indirectly derived from the pricing of the underlying securities. Consistent with the definitions in *AASB 13* this methodology is classified as level 2 of the fair value hierarchy.

(b) Impairment

If any indication of impairment exists, an impairment loss is recognised in the Statement of Comprehensive Income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the Statement of Comprehensive Income.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities. The units can be returned into the Common Funds at any time for cash equal to a proportionate share of the Common Funds' net asset values. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the Statement of Financial Position date if unitholders exercise their right to return the units back to the Common Funds. For financial reporting purposes and compliance with Australian Accounting Standards assets are recorded at net asset value.

(d) Cash and cash equivalents

For Statement of Cash Flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, where applicable, are shown within liabilities on the Statement of Financial Position.

For all Common Funds (other than Cash Common Fund) cash equivalents include the Funds' investments in and borrowings from the Cash Common Fund.

Payments and receipts relating to the purchase and sale of investment securities are classified as investing cash flows because the core activity of the Public Trustee is the administration of Trustee Services.

(e) Investment income

Interest income and expenses are recognised in the Statement of Comprehensive Income for all debt instruments using the effective interest method. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial

2. Summary of significant accounting policies (continued)

instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Trust distributions are recognised when the right to receive payment is established.

(f) Expenses

All expenses, including management fees, are recognised in the Statement of Comprehensive Income on an accrual basis.

Management fees are charged against each Common Fund at a rate of one-twelfth of one percent of the value of the fund as at the first business day of each month as authorised by the *Public Trustee Act 1995*.

(g) Income tax

Under current legislation, the Common Funds are not subject to income tax provided the taxable income of the Fund is fully distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Fund).

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, the portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Funds to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of imputation credits and foreign tax paid are passed on to unitholders.

The Funds currently incur withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in the Statement of Comprehensive Income.

(h) Distributions

Public Trustee distributes Common Fund income and capital based on the financial results at 31 December and 30 June.

Public Trustee recognises Common Fund distributions to client accounts on the date they are paid by Public Trustee. Public Trustee charges clients with income and capital commission on the date the Common Funds makes a distribution to client accounts and interest earned is credited when received.

The items above are accrued as appropriate in the statutory accounts under Australian Accounting Standards and the distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

(i) Transfers (to)/from net assets to determine distributable income

Non-distributable income is included in net assets attributable to unitholders and may consist of unrealised changes in the net fair value of financial instruments held at fair value through profit or loss, accrued income not yet assessable, expenses provided or accrued for which are not yet deductible, and net capital losses. Net capital gains on the realisation of any financial instruments and accrued income not yet assessable will be included in the determination of distributable income in the same year in which it becomes assessable for tax. Movements in net assets attributable to unitholders are recognised in the Statement of Comprehensive Income as financing costs.

(j) Foreign currency translation

i) Functional and presentation currency

Items included in the Common Funds' financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Common Funds compete for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

2. Summary of significant accounting policies (continued)

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year-end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

The Funds do not isolate that portion of gains or losses on financial instruments which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

(k) Other assets

Other assets may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment using the effective interest rate method. Amounts are generally received within 30 days of being recorded as receivable.

(l) Other liabilities

Other liabilities and accrued expenses owing by the Funds which are unpaid as at balance date.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately on the Statement of Financial Position as unitholders are presently entitled to the distributable income as at 30 June 2017 under the Trust Deed.

(m) Applications and redemptions

Applications received for units in the Common Funds are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

(n) Goods and services tax (GST)

The Common Funds are registered entities under the Goods and Services Tax (GST) legislation. Investments in Public Trustee Common Funds are classified as input taxed financial supplies and no GST is charged on such supplies. The GST incurred on the costs of various services provided to the Common Funds by third parties such as management fees have been passed onto the Common Funds. The Common Funds qualify for Reduced Input Tax Credits (RITC) at a rate of 75% hence investment management fees and other expenses have been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of Financial Position.

(o) Use of estimates

The Common Funds financial statements include estimates and assumptions that affect the reported amounts of assets and liabilities within the financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(p) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Public Trustee for the period ending 30 June 2017. The Public Trustee has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements except as outlined below.

AASB 9 Financial Instruments has been identified for investigation with the impact yet to be determined. AASB 9 provides the principles for the classification, measurement, recognition, derecognition and disclosure associated with financial assets and liabilities.

AASB 9 also includes new rules for hedge accounting and will apply for the first time for reporting periods beginning on or after 1 January 2018.

(q) Rounding of amounts

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

3. Net assets attributable to unitholders

Movements in number of units and net assets attributable to unitholders during the year were as follows:

Each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

(a) Common Fund unit prices

Common Fund unit prices at 30 June	2017		2016	
	Purchase Price	Redemption Price	Purchase Price	Redemption Price
Short Term Fixed Interest	\$1.0070	\$1.0040	\$1.0081	\$1.0051
Long Term Fixed Interest	\$1.0589	\$1.0557	\$1.0780	\$1.0748
Overseas Fixed Interest	\$0.8655	\$0.8634	\$0.9049	\$0.9027
Australian Shares	\$1.7675	\$1.7577	\$1.7159	\$1.7063
Overseas Shares	\$1.2673	\$1.2605	\$1.1752	\$1.1689
Property	\$1.0407	\$1.0345	\$1.0995	\$1.0929

(b) Movements in units

	Common Fund					
	Short Term Fixed Interest		Long Term Fixed Interest		Overseas Fixed Interest	
	2017 No. of units 000's	2016 No. of units 000's	2017 No. of units 000's	2016 No. of units 000's	2017 No. of units 000's	2016 No. of units 000's
Opening balance	48 614	50 797	84 096	87 269	48 584	43 747
Applications	17 282	4 721	18 513	7 676	16 604	8 966
Redemptions	(10 258)	(6 904)	(15 521)	(10 849)	(5 047)	(4 129)
Closing balance	55 638	48 614	87 088	84 096	60 141	48 584

	Common Fund					
	Australian Shares		Overseas Shares		Property	
	2017 No. of units 000's	2016 No. of units 000's	2017 No. of units 000's	2016 No. of units 000's	2017 No. of units 000's	2016 No. of units 000's
Opening balance	95 675	96 469	84 095	99 326	64 129	43 521
Applications	14 048	9 784	31 429	6 637	34 190	25 717
Redemptions	(20 748)	(10 578)	(7 840)	(21 868)	(7 319)	(5 109)
Closing balance	88 975	95 675	107 684	84 095	91 000	64 129

COMMON FUNDS

3. Net assets attributable to unitholders (continued)

(c) Movements in funds employed

	Common Fund							
	Cash		Short Term Fixed Interest		Long Term Fixed Interest		Overseas Fixed Interest	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Opening balance	380 458	366 226	48 935	51 358	90 517	92 950	43 876	38 660
Applications	11 716	3 056	17 411	4 770	19 738	8 222	14 890	7 996
Redemptions	(6 495)	(4 145)	(10 307)	(6 956)	(16 527)	(11 571)	(4 501)	(3 676)
Transfers from / (to) net assets to determine distributable income ¹	15 238	15 321	(94)	(237)	(1 653)	916	(2 324)	896
Closing balance	400 917	380 458	55 945	48 935	92 075	90 517	51 941	43 876

	Common Fund					
	Australian Shares		Overseas Shares		Property	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Opening balance	163 643	162 677	98 502	145 594	70 484	44 569
Applications	25 514	16 708	38 873	9 454	37 275	27 677
Redemptions	(37 012)	(17 870)	(10 147)	(32 037)	(8 161)	(5 520)
Transfers from / (to) net assets to determine distributable income	4 629	2 128	8 732	(24 509)	(4 837)	3 758
Closing balance	156 774	163 643	135 960	98 502	94 761	70 484

¹ The Cash Common Fund is the primary working account for trust administration operations. Movements in net assets attributable to unitholders are typically high volume, low value transactions.

(d) Net realised and unrealised gains (losses) on financial assets

	Net Unrealised Gains (Losses)		Net Realised Gains (Losses)		Total Gains (Losses)	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Common Fund						
Cash	471	(869)	(205)	(163)	266	(1 032)
Short Term Fixed Interest	(6)	(16)	(88)	(221)	(94)	(237)
Long Term Fixed Interest	(1 473)	-	(168)	916	(1 641)	916
Overseas Fixed Interest	(2 324)	896	-	-	(2 324)	896
Australian Shares	7 365	2 128	514	-	7 879	2 128
Overseas Shares	9 234	(15 722)	91	(277)	9 325	(15 999)
Property	(4 576)	4 553	(11)	459	(4 587)	5 012
	8 691	(9 030)	133	714	8 824	(8 316)

Public Trustee

COMMON FUNDS

4. Distributions to unitholders

The distributions, including cents per unit (CPU), were paid/payable as follows:

Cash Common Fund

	2017 \$'000	2017 CPU	2016 \$'000	2016 CPU
Distributions paid	9 115	0.0232	9 613	0.0255
Undistributable income brought forward	(1 004)	-	(1 027)	-
Distributions payable	824	-	1 004	-
	<u>8 935</u>		<u>9 590</u>	

Short Term Fixed Interest Common Fund

	2017 \$'000	2017 CPU	2016 \$'000	2016 CPU
Distributions paid	1 176	0.0211	1 308	0.0269
Undistributable income brought forward	(609)	-	(687)	-
Distributions payable	559	-	609	-
	<u>1 126</u>		<u>1 230</u>	

Long Term Fixed Interest Common Fund

	2017 \$'000	2017 CPU	2016 \$'000	2016 CPU
Distributions paid	2 583	0.0297	2 806	0.0334
Undistributable income brought forward	(1 321)	-	(1 459)	-
Distributions payable	1 170	-	1 321	-
	<u>2 432</u>		<u>2 668</u>	

Overseas Fixed Interest Common Fund

	2017 \$'000	2017 CPU	2016 \$'000	2016 CPU
Distributions paid	1 211	0.0201	541	0.0111
Undistributable income brought forward	(426)	-	(308)	-
Distributions payable	2 400	-	426	-
	<u>3 185</u>		<u>659</u>	

Australian Shares Common Fund

	2017 \$'000	2017 CPU	2016 \$'000	2016 CPU
Distributions paid	7 648	0.0860	6 951	0.0727
Undistributable income brought forward	(2 174)	-	(5 145)	-
Distributions payable	12 712	-	2 174	-
	<u>18 186</u>		<u>3 980</u>	

Public Trustee

COMMON FUNDS

4. Distributions to unitholders (continued)

Overseas Shares Common Fund

	2017 \$'000	2017 CPU	2016 \$'000	2016 CPU
Distributions paid	15 735	0.1461	7 957	0.0946
Undistributable income brought forward	(15 116)	-	(783)	-
Distributions payable	10 649	-	15 116	-
	<u>11 268</u>		<u>22 290</u>	

Property Common Fund

	2017 \$'000	2017 CPU	2016 \$'000	2016 CPU
Distributions paid	5 784	0.0636	4 745	0.0740
Undistributable income brought forward	(5 117)	-	(4 520)	-
Distributions payable	9 158	-	5 117	-
	<u>9 825</u>		<u>5 342</u>	

In accordance with the *Public Trustee Act 1995*, investors received a proportionate distribution of net income depending on the number of days units were held.

Included in the distributions payable at 30 June 2017 were the following net realised capital gains which were distributed to unitholders based on the number of units held as at 30 June 2017:

Common Fund Capital Distributions Payable

	2017 \$'000	2017 CPU	2016 \$'000	2016 CPU
Long Term Fixed Interest	13	0.0001	54	0.0006
Australian Shares	11 090	0.1246	3 928	0.0411
Overseas Shares	7 948	0.0738	7 175	0.0853
Property	5 871	0.0645	4 113	0.0641
	<u>24 922</u>		<u>15 270</u>	

Public Trustee
COMMON FUNDS

5. Cash and cash equivalents

Cash Common Fund	2017	2016
	\$'000	\$'000
Cash at bank	1 090	2
Money market instruments	21 000	16 000
Bank overdraft	-	(198)
	<u>22 090</u>	<u>15 804</u>

Short Term Fixed Interest Common Fund	2017	2016
	\$'000	\$'000
Deposits in Cash Common Fund	<u>23 567</u>	<u>17 854</u>
	<u>23 567</u>	<u>17 854</u>

Long Term Fixed Interest Common Fund	2017	2016
	\$'000	\$'000
Deposits in Cash Common Fund	<u>29 662</u>	<u>24 280</u>
	<u>29 662</u>	<u>24 280</u>

Overseas Fixed Interest Common Fund	2017	2016
	\$'000	\$'000
Deposits in Cash Common Fund	<u>15 152</u>	<u>4 107</u>
	<u>15 152</u>	<u>4 107</u>

Australian Shares Common Fund	2017	2016
	\$'000	\$'000
Deposits in Cash Common Fund	<u>5 361</u>	<u>2 204</u>
	<u>5 361</u>	<u>2 204</u>

Overseas Shares Common Fund	2017	2016
	\$'000	\$'000
Deposits in Cash Common Fund	<u>4 618</u>	<u>1 117</u>
	<u>4 618</u>	<u>1 117</u>

Property Common Fund	2017	2016
	\$'000	\$'000
Deposits in Cash Common Fund	<u>4 040</u>	<u>1 430</u>
	<u>4 040</u>	<u>1 430</u>

5. Cash and Cash Equivalents (continued)

(a) Cash at bank and on hand

The cash deposit is held with a financial institution and is interest bearing at 1.70% (2016: 1.95%) per annum as at 30 June 2017 available at call. During 2016-17 Public Trustee's customer banking operations were provided by the Commonwealth Bank of Australia (CBA) as part of the whole of Government banking contract. Public Trustee also continued to manage a Westpac Banking Corporation (WBC) account during 2016-17 where a small number of deposits continue to be received. The CBA cash rate is the Reserve Bank target rate plus 20 basis points.

(b) Bank overdraft

There was no bank overdraft as at 30 June 2017 (2016: \$0.198 million). Public Trustee's CBA Cash Common Fund Banking account balance was \$2.337 million (2016: \$3.171 million) less unpresented cheques of \$0.756 million (2016: \$2.276 million) and deposits to the CBA Cash Common Fund banking account that cannot be attributed to specific customers as at 30 June 2017 of \$0.491 million (2016: \$1.093 million).

(c) Deposits in Cash Common Fund

Deposits in the Cash Common Fund act as operating cash accounts for the other Common Funds, and are interest bearing. These investments are available at call.

(d) Advances to other Common Funds / borrowings from Cash Common Fund

There were no advances from the Cash Common Fund to other Common Funds for the period to 30 June 2017.

COMMON FUNDS

6. Financial assets held at fair value through profit and loss

	Common Funds			
	Cash		Short Term Fixed Interest	
	2017	2016	2017	2016
	Fair Value \$'000	Fair Value \$'000	Fair Value \$'000	Fair Value \$'000
Designated as at fair value through profit or loss				
Fixed interest securities ¹	450 037	411 020	32 650	31 388
Total designated as at fair value through profit or loss	450 037	411 020	32 650	31 388
	Long Term Fixed Interest		Overseas Fixed Interest	
	2017	2016	2017	2016
	Fair Value	Fair Value	Fair Value	Fair Value
	\$'000	\$'000	\$'000	\$'000
Designated as at fair value through profit or loss				
Fixed interest securities	63 026	66 849	-	-
Unlisted unit trusts	-	-	37 588	39 838
Total designated as at fair value through profit or loss	63 026	66 849	37 588	39 838
	Australian Shares		Overseas Shares	
	2017	2016	2017	2016
	Fair Value	Fair Value	Fair Value	Fair Value
	\$'000	\$'000	\$'000	\$'000
Designated as at fair value through profit or loss				
Unlisted unit trusts	151 698	161 152	130 645	98 092
Total designated as at fair value through profit or loss	151 698	161 152	130 645	98 092
	Property			
	2017	2016		
	Fair Value	Fair Value		
	\$'000	\$'000		
Designated as at fair value through profit or loss				
Unlisted unit trusts	90 860	70 198		
Total designated as at fair value through profit or loss	90 860	70 198		

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 9.

¹ Includes other common funds deposits in the Cash Common Fund of \$82.399 million (2016: \$50.992 million).

(a) Fixed interest securities

These investments bear floating interest rates between 2.44% and 5.36% (2016: 2.74% and 6.80%). These investments are available at call.

COMMON FUNDS

7. Financial transactions for entities within the SA Government

	2017	2016
	\$'000	\$'000
Public Trustee Common Fund Distributions	14 618	10 430
Refunds & Reimbursements	896	750
Gain / (Loss) on Public Trustee Common Funds	961	1 104
Total expenditure for entities within SA Government	16 475	12 284

Public Trustee Common Funds	355 698	276 207
Total funds due to entities within SA Government	355 698	276 207

Public Trustee administers funds on behalf of a number of government entities that invest in the Common Funds.

8. Derivative financial instruments

Public Trustee did not invest in derivative investments for the year ended 30 June 2017.

9. Financial risk management

Public Trustee's Common Fund activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance. Only Australian domiciled pooled funds are used for overseas asset purchases. In terms of currency exposure, the Overseas Fixed Interest Common Fund is 100% hedged and the Overseas Shares Common Fund maintains a 50% hedged benchmark position which reduces currency volatility. Overseas currency exposure in the Property Common Fund is 97% hedged.

The Manager, Investment Services is responsible for ensuring that all investments are within the guidelines specified by Public Trustee's Investment Guidelines and Procedures Manual. The Manager, Investment Services may recommend to the Public Trustee and the Public Trustee may, after consultation with the Investment Advisory Committee, approve investments outside of Public Trustee's Investment Guidelines.

(a) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to outstanding receivables and committed transactions.

Short-term money market instruments must have a short-term Standard and Poors (S&P) rating of A1 or in the case of the issuer being a bank under the *Banking Act 1959* a rating of A2 is accepted. Floating rate instruments must have a long-term S&P credit rating of A+ or better or where the counter party is a bank under the *Banking Act 1959*, a rating of BBB or better is accepted. Long-term investments must have long-term S&P credit ratings of A+ or better or be an investment in a Commonwealth or Semi-government bond. If there is no independent rating, Public Trustee assesses the credit quality of the provider, taking into account its financial position and past experience.

Credit risk arises primarily with the following classes of instruments and counterparties:

- Sovereign debt of the Australian Commonwealth and State Governments
- Sovereign debt of the foreign governments
- Banking corporations
- Corporate debt of investment grade
- Pooled Investment Funds

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets.

The credit quality of financial assets that are neither past due nor impaired are assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

9. Financial risk management (continued)

Pooled Fund Investments are not rated, however, Public Trustee makes a thorough assessment of all Pooled Fund Managers in regard to credit and other risks prior to the investment of funds with each manager. The credit risk lies with the Pooled Fund Manager responsible for the management of the underlying investments. Public Trustee continually monitors these assessments.

Credit Risk Analysis

	2017 \$'000	2016 \$'000
Cash Common Fund		
<i>Cash and short term investments</i>		
A1+	159 094	158 826
A1	110 546	104 500
A2	75 500	65 007
Cash at bank	22 090	16 002
	<u>367 230</u>	<u>344 335</u>
<i>Long term investments</i>		
AAA	2 990	3 470
AA	22 534	-
AA-	53 738	44 659
A-	-	2 470
A	16 084	15 951
A+	6 047	16 137
BBB+	3 504	-
	<u>104 897</u>	<u>82 687</u>
Short Term Fixed Interest Common Fund		
<i>Cash and short term investments</i>		
A1+	11 067	10 074
A2	6 500	3 000
Cash	23 567	17 854
	<u>41 134</u>	<u>30 928</u>
<i>Long term investments</i>		
AAA	997	-
AA+	-	2 078
AA	2 014	5 240
AA-	4 034	1 521
A-	-	4 497
A	5 012	1 985
A+	2 022	2 993
BBB+	1 004	-
	<u>15 083</u>	<u>18 314</u>
Long Term Fixed Interest Common Fund		
<i>Cash and short term investments</i>		
AAA	-	4 040
A1+	22 178	15 656
A2	1 000	1 000
Cash	29 662	24 280
	<u>52 840</u>	<u>44 976</u>
<i>Long term investments</i>		
AAA	5 355	5 548
AA+	6 727	24 825
AA	21 721	11 189
AA-	4 046	3 588
A-	-	1 003
A	1 999	-
	<u>39 848</u>	<u>46 153</u>

9. Financial risk management (continued)

(b) Market risk

(i) Price risk

The Australian Shares Common Fund, Overseas Shares Common Fund, Property Common Fund and the Overseas Fixed Interest Common Fund are exposed to price risk. Public Trustee is not directly exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, Public Trustee diversifies its portfolio. Diversification of the portfolio is in accordance with Public Trustee's Investment Guidelines. Irrespective of what type of investment vehicle is used, the primary focus is to ensure the risk/reward objectives of Public Trustee's investment approach are met. The Common Funds comprise a number of sub-portfolios which invest in different sectors of the equity market.

The Australian Shares Common Fund invests primarily in ASX 300 Companies through Australian domiciled-pooled funds. The Australian Shares Common Fund portfolio consists of listed shares, convertible notes, instalment receipts, preference shares and options. No derivative products are permitted under Public Trustee's Investment Guidelines.

Equities in the Overseas Shares Common Fund consist of investments through Australian domiciled-pooled funds that obviate exposure to currency price risk. An "active" approach is used by the fund utilising a variety of fund managers with different investment styles. This provides diversification benefits and reduces the overall level of risk.

The Property Common Fund primarily invests in listed securities from the Property Trust sector of any Australian or overseas stock exchange or any listed company whose major activity is in real properties. Investments in this class also comprise un-listed unit trusts where the holding of property or infrastructure is the primary business activity of the issuer.

(ii) Cash flow and interest rate risk

Public Trustee is exposed to interest rate risk arising from cash investments, short term investments and Australian fixed interest investments. Instruments issued at fixed interest rates expose Public Trustee to fair value interest rate risk and variable rate instruments expose Public Trustee to cash flow interest rate risk.

The Cash Common Fund can invest in short term money market instruments with up to one year maturity, floating rate investment instruments with maturity terms up to 10 years if the counterparty is a bank with a credit rating of A- or better or fixed interest instruments with maturity terms up to 3 years. Securities with greater than one year maturity are restricted to make up less than 20% of the overall fund.

The Short Term Fixed Interest Common Fund can invest in fixed interest securities with maturity terms of three years if the credit rating is A+ or better, or a maturity term of up to 6 years for Commonwealth bonds, Semi-government bonds. The Long Term Fixed Interest Common Fund invests in securities with maturities ranging from 5 years to 25 years.

(iii) Foreign exchange risk

The Overseas Fixed Interest Common Fund, the Overseas Shares Common Fund and the Property Common Fund are indirectly exposed to foreign exchange risk as a result of their investments in other unit trusts which in turn invest in financial instruments that are denominated in foreign currencies. A sensitivity analysis is provided below, outlining the exposure to each type of market risk at the end of each reporting period, showing how profit or loss and equity would have been affected by the changes in the relevant risk variable that was reasonably possible at that date. All instruments are designated as financial assets at fair value through the profit or loss; resulting in no impact on equity.

Public Trustee

COMMON FUNDS

9. Financial risk management (continued) - sensitivity analysis

Cash Common Fund

	2017			
	Interest rate risk		Price risk	
	-	+	-	+
	1%	1%	20%	10%
Carrying Amount	Profit & Loss	Profit & Loss	Profit & Loss	Profit & Loss
\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>				
Cash & cash equivalents	22 090	(221)	221	-
Financial assets held at fair value through profit or loss	450 037	(4 500)	4 500	-
<i>Financial liabilities</i>				
Bank overdraft	-	-	-	-
Total (decrease) increase	(4 721)	4 721	-	-

	2016			
	Interest rate risk		Price risk	
	-	+	-	+
	1%	1%	20%	10%
Carrying Amount	Profit & Loss	Profit & Loss	Profit & Loss	Profit & Loss
\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>				
Cash & cash equivalents	16 002	(160)	160	-
Financial assets held at fair value through profit or loss	411 020	(4 110)	4 110	-
<i>Financial liabilities</i>				
Bank overdraft	(198)	(2)	2	-
Total (decrease) increase	(4 272)	4 272	-	-

Short Term Fixed Interest Common Fund

	2017			
	Interest rate risk		Price risk	
	-	+	-	+
	1%	1%	20%	10%
Carrying Amount	Profit & Loss	Profit & Loss	Profit & Loss	Profit & Loss
\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>				
Deposits with Cash Common Fund	23 567	(236)	236	-
Financial assets held at fair value through profit or loss	32 650	(327)	327	-
Total (decrease) increase	(563)	563	-	-

	2016			
	Interest rate risk		Price risk	
	-	+	-	+
	1%	1%	20%	10%
Carrying Amount	Profit & Loss	Profit & Loss	Profit & Loss	Profit & Loss
\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>				
Deposits with Cash Common Fund	17 854	(179)	179	-
Financial assets held at fair value through profit or loss	31 388	(314)	314	-
Total (decrease) increase	(493)	493	-	-

COMMON FUNDS

9. Financial risk management (continued) - sensitivity analysis

Long Term Fixed Interest Common Fund

	2017			
	Interest rate risk		Price risk	
	-	+	-	+
	1%	1%	20%	10%
Carrying Amount	Profit & Loss	Profit & Loss	Profit & Loss	Profit & Loss
\$'000	\$'000	\$'000	\$'000	\$'000
Deposits with Cash Common Fund	29 662	(297)	297	-
Financial assets held at fair value through profit or loss	63 026	(630)	630	-
Total (decrease) increase		(927)	927	-

	2016			
	Interest rate risk		Price risk	
	-	+	-	+
	1%	1%	20%	10%
Carrying Amount	Profit & Loss	Profit & Loss	Profit & Loss	Profit & Loss
\$'000	\$'000	\$'000	\$'000	\$'000
Deposits with Cash Common Fund	24 280	(243)	243	-
Financial assets held at fair value through profit or loss	66 849	(668)	668	-
Total (decrease) increase		(911)	911	-

Overseas Fixed Interest Common Fund

	2017			
	Interest rate risk		Price risk	
	-	+	-	+
	1%	1%	20%	10%
Carrying Amount	Profit & Loss	Profit & Loss	Profit & Loss	Profit & Loss
\$'000	\$'000	\$'000	\$'000	\$'000
Deposits with Cash Common Fund	15 152	(152)	152	-
Financial assets held at fair value through profit or loss	37 588	-	(7 518)	3 759
Total (decrease) increase		(152)	152	(7 518)

	2016			
	Interest rate risk		Price risk	
	-	+	-	+
	1%	1%	20%	10%
Carrying Amount	Profit & Loss	Profit & Loss	Profit & Loss	Profit & Loss
\$'000	\$'000	\$'000	\$'000	\$'000
Deposits with Cash Common Fund	4 107	(41)	41	-
Financial assets held at fair value through profit or loss	39 838	-	(7 968)	3 984
Total (decrease) increase		(41)	41	(7 968)

COMMON FUNDS

9. Financial risk management (continued) - sensitivity analysis

Australian Shares Common Fund

	2017			
	Interest rate risk		Price risk	
	-	+	-	+
	1%	1%	20%	10%
Carrying Amount	Profit & Loss	Profit & Loss	Profit & Loss	Profit & Loss
\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets				
Deposits with Cash Common Fund	5 361	(54)	54	-
Financial assets held at fair value through profit or loss	151 698	-	-	(30 340)
Total (decrease) increase		(54)	54	(30 340)

	2016			
	Interest rate risk		Price risk	
	-	+	-	+
	1%	1%	20%	10%
Carrying Amount	Profit & Loss	Profit & Loss	Profit & Loss	Profit & Loss
\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets				
Deposits with Cash Common Fund	2 204	(22)	22	-
Financial assets held at fair value through profit or loss	161 152	-	-	(32 230)
Total (decrease) increase		(22)	22	(32 230)

Overseas Shares Common Fund

	2017			
	Interest rate risk		Price risk	
	-	+	-	+
	1%	1%	20%	10%
Carrying Amount	Profit & Loss	Profit & Loss	Profit & Loss	Profit & Loss
\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets				
Deposits with Cash Common Fund	4 618	(46)	46	-
Financial assets held at fair value through profit or loss	130 645	-	-	(26 129)
Total (decrease) increase		(46)	46	(26 129)

	2016			
	Interest rate risk		Price risk	
	-	+	-	+
	1%	1%	20%	10%
Carrying Amount	Profit & Loss	Profit & Loss	Profit & Loss	Profit & Loss
\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets				
Deposits with Cash Common Fund	1 117	(11)	11	-
Financial assets held at fair value through profit or loss	98 092	-	-	(19 618)
Total (decrease) increase		(11)	11	(19 618)

COMMON FUNDS

9. Financial risk management (continued) - sensitivity analysis

Property Common Fund

	2017				
	Interest rate risk		Price risk		
	-	+	-	+	
	1%	1%	20%	10%	
Carrying Amount	Profit & Loss	Profit & Loss	Profit & Loss	Profit & Loss	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>					
Deposits with Cash Common Fund	4 040	(40)	40	-	-
Financial assets held at fair value through profit or loss	90 860	-	-	(18 172)	9 086
Total (decrease) increase		(40)	40	(18 172)	9 086

	2016				
	Interest rate risk		Price risk		
	-	+	-	+	
	1%	1%	20%	10%	
Carrying Amount	Profit & Loss	Profit & Loss	Profit & Loss	Profit & Loss	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>					
Deposits with Cash Common Fund	1 430	(14)	14	-	-
Financial assets held at fair value through profit or loss	70 198	-	-	(14 040)	7 020
Total (decrease) increase		(14)	14	(14 040)	7 020

(c) Liquidity risk

Public Trustee has working capital policies in place in order to maintain liquidity for clients. Short-term investment analysis assists in determining the amount, if any, to be invested or reinvested in order to maintain working capital. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the ability to close out market positions. Public Trustee manages the liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

(d) Fair value estimation

The fair value of financial assets and financial liabilities are estimated for recognition and measurement or for disclosure purposes. The fair value of these assets and liabilities is equal to their carrying amount.

Cash and cash equivalents are valued at nominal amounts. This asset consists of cash at bank, on hand and short-term money market deposits with maturities of three months or less that is readily converted to cash and which are subject to insignificant risk of changes in value.

Financial assets and liabilities are held at fair value through the profit or loss. Investments in pooled funds are recorded at fair value as reported by the managers of such funds. Public Trustee has determined the fair value of financial assets to be market value of these investments at balance date. Accounting Standard *AASB 7 Financial Instruments: Disclosures* requires disclosure of the measurement methodology used to value financial instruments. Public Trustee invests through fund managers and utilises pricing data provided by those managers which is indirectly derived from the pricing of the underlying securities. Consistent with the definitions in AASB 13 this methodology is classified as level 2 of the fair value hierarchy.

Receivables and payables are valued on a historical cost basis and Public Trustee considers that the carrying value approximates market value.

COMMON FUNDS

10. Cash flow reconciliation

Cash Common Fund	2017	2016
	\$'000	\$'000
(a) Reconciliation of cash and cash equivalents		
Statement of Cash Flows	22 090	15 804
Statement of Financial Position	22 090	15 804
(b) Reconciliation of profit/loss to net cash provided by (used in) operating activities:		
Net operating profit for the year	9 201	8 558
Non-cash operating activities		
Net (gains) / losses on financial instruments held at fair value through profit or loss	(266)	1 032
Amortisation of discounts and premiums	213	226
Movement in assets and liabilities		
(Increase) / decrease in receivables and other assets	(1 225)	780
(Decrease) / increase in payables and other liabilities	(29)	9
Adjustment for balance day transactions	2	18
Net cash provided by operating activities	7 896	10 623
 Short Term Fixed Interest Common Fund	 2017	 2016
	\$'000	\$'000
(a) Reconciliation of cash and cash equivalents		
Statement of Cash Flows	23 567	17 854
Statement of Financial Position	23 567	17 854
(b) Reconciliation of profit/loss to net cash provided by (used in) operating activities:		
Net operating profit for the year	1 032	993
Non-cash operating activities		
Net losses on financial instruments held at fair value through profit or loss	94	237
Amortisation of discounts and premiums	93	118
Movement in assets and liabilities		
Decrease in receivables and other assets	16	8
(Decrease) / Increase in payables and other liabilities	(1)	1
Net cash provided by operating activities	1 234	1 357
 Long Term Fixed Interest Common Fund	 2017	 2016
	\$'000	\$'000
(a) Reconciliation of cash and cash equivalents		
Statement of Cash Flows	29 662	24 280
Statement of Financial Position	29 662	24 280
(b) Reconciliation of profit/loss to net cash provided by (used in) operating activities:		
Net operating profit for the year	779	3 584
Non-cash operating activities		
Net losses / (gains) on financial instruments held at fair value through profit or loss	1 641	(916)
Amortisation of discounts and premiums	169	174
Movement in assets and liabilities		
Decrease in receivables and other assets	156	11
(Decrease) / increase in payables and other liabilities	(4)	4
Net cash provided by operating activities	2 741	2 857

COMMON FUNDS

10. Cash flow reconciliation (continued)

Overseas Fixed Interest Common Fund	2017	2016
	\$'000	\$'000
(a) Reconciliation of cash and cash equivalents		
Statement of Cash Flows	15 152	4 107
Statement of Financial Position	15 152	4 107
(b) Reconciliation of profit/loss to net cash provided by (used in) operating activities:		
Net operating profit for the year	861	1 555
Non-cash operating activities		
Net losses / (gains) on financial instruments held at fair value through profit or loss	2 324	(896)
Income reinvested and not received in cash	(73)	(80)
Movement in assets and liabilities		
(Increase) in receivables and other assets	(1 242)	(10)
(Decrease) / increase in payables and other liabilities	(2)	1
Net cash provided by operating activities	1 868	570
 Australian Shares Common Fund	 2017	 2016
	\$'000	\$'000
(a) Reconciliation of cash and cash equivalents		
Statement of Cash Flows	5 361	2 204
Statement of Financial Position	5 361	2 204
(b) Reconciliation of profit/loss to net cash provided by operating activities:		
Net operating profit for the year	22 815	6 108
Non-cash operating activities		
Net (gains) on financial instruments held at fair value through profit or loss	(7 879)	(2 128)
Income reinvested and not received in cash	(667)	(574)
Movement in assets and liabilities		
(Increase) / decrease in receivables and other assets	(9 956)	3 184
Increase in payables and other liabilities	(10)	10
Net cash provided by operating activities	4 303	6 600
 Overseas Shares Common Fund	 2017	 2016
	\$'000	\$'000
(a) Reconciliation of cash and cash equivalents		
Statement of Cash Flows	4 618	1 117
Statement of Financial Position	4 618	1 117
(b) Reconciliation of profit/loss to net cash provided by (used in) operating activities:		
Net operating profit / (loss) for the year	20 000	(2 219)
Non-cash operating activities		
Net (gains) / losses on financial instruments held at fair value through profit or loss	(9 325)	15 999
Income reinvested and not received in cash	(228)	(362)
Movement in assets and liabilities		
Decrease in receivables and other assets	3 070	593
(Decrease) / increase in payables and other liabilities	(7)	7
Net cash provided by operating activities	13 510	14 018

COMMON FUNDS

10. Cash flow reconciliation (continued)

Property Common Fund	2017 \$'000	2016 \$'000
(a) Reconciliation of cash and cash equivalents		
Statement of Cash Flows	4 040	1 430
Statement of Financial Position	4 040	1 430
(b) Reconciliation of profit/loss to net cash provided by (used in) operating activities:		
Net operating profit for the year	4 988	9 100
Non-cash operating activities		
Net losses / (gains) on financial instruments held at fair value through profit or loss	4 587	(5 012)
Income reinvested and not received in cash	(122)	(116)
Movement in assets and liabilities		
(Increase) in receivables and other assets	(5 042)	(24)
(Decrease) / increase in payables and other liabilities	(4)	4
Net cash provided by operating activities	<u>4 407</u>	<u>3 952</u>

11. Events occurring after balance date

There were no significant events that have occurred since the end of the reporting period which would impact on the financial position of the Common Funds.

12. Related party transactions

Public Trustee is a Government Business Enterprise and is wholly owned and controlled by the SA Government. Public Trustee Common Funds are wholly owned by unitholders who have invested in the funds. Public Trustee Corporate provides Key Management Personnel (KMP) to the Common Funds and on this basis Public Trustee Corporate is a related party together with all public authorities that are controlled and consolidated into the whole of government financial statements. Related parties also include all Common Fund KMP and their close family members.

Significant transactions with government related entities

An additional \$65 million was invested during 2016-17 by the Agents Indemnity Fund by the Commissioner for Consumer Affairs. These funds were invested across all common funds at a percentage allocation in accordance with the defined Standard Investment Strategies.

Collectively, but not individually significant transactions with government related entities

Quantitative information about transactions and balances between Public Trustee and other SA Government entities are disclosed at Note 7. In addition, management fee expenses paid to Public Trustee corporate for the reporting period were \$10.31 million.

Key management personnel

Key management personnel of Public Trustee Common Funds include the Attorney-General, Public Trustee Executive and the Manager Investment Services. The salary and other benefits the Attorney-General receives; the Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*. The compensation of other key management personnel is paid from the Public Trustee corporate account.

Transactions with key management personnel

There were no material transactions or balances to disclose with key management personnel or other related parties.

STATEMENT OF TRUSTS BEING ADMINISTERED

Statement of Trusts Being Administered
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Trust funds under administration	3		
Deceased Estates		181 540	160 062
Trusts		126 970	120 819
Administration Matters		43 599	41 595
Court Award Orders		416 420	387 204
Protected Estates		343 842	310 322
Workers Compensation Awards		323	201
Power of Attorney		55 457	57 832
Investors		384 568	315 892
Total funds		1 552 719	1 393 927
Represented by			
Investment in Common Funds	1(b), 2		
Non current assets			
Australian equities		151 698	161 152
International equities		130 645	98 092
Property securities		90 860	70 198
Australian fixed interest investments		159 829	147 153
International fixed interest investments		37 588	39 838
		<u>570 620</u>	<u>516 433</u>
Current assets			
Cash and cash equivalents		22 090	16 002
Australian fixed interest investments		385 884	362 104
Advances to estates		8 277	3 148
Other assets		38 999	24 776
		<u>455 250</u>	<u>406 030</u>
Current liabilities			
Bank overdraft		-	198
Income distribution payable		37 472	25 767
Other liabilities		25	83
		<u>37 497</u>	<u>26 048</u>
Net Common Fund assets		988 373	896 415
Estate assets	1(c)		
Non current assets			
Real estate		333 213	312 508
Superannuation		138 890	112 487
Personal chattels		27 454	21 994
Equities		22 642	20 555
Fixed interest and cash assets		16 275	14 831
Mortgages		54	59
		<u>538 528</u>	<u>482 434</u>
Current assets			
Other assets		37 915	25 997
Current liabilities			
Other liabilities		12 097	10 919
Net estate assets		564 346	497 512
Total net assets		1 552 719	1 393 927

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Principal Accounting Policies

(a) Format of the Accounts

The Statement of Trusts Being Administered (the 'Statement') and related notes are special purpose financial statements that provide information on the value and nature of trusts being administered. The Statement consolidates all trusts being administered by Public Trustee. Accordingly, no Accounting Standards and other mandatory reporting requirements are applied in the preparation and presentation of this Statement.

Public Trustee has prepared the Statement, where appropriate, based on the general principles outlined in Australian Accounting Standards.

The Statement of Trusts Being Administered has been prepared using the accrual basis of accounting. Dividend income is recognised on the date that shares are quoted as ex-dividend. Distributions from trusts are recognised on a present entitlement basis.

(b) Basis of valuation of common fund assets and liabilities

For the 2016-2017 reporting period assets for the Australian Shares Common Fund, Overseas Fixed Interest Common Fund, Overseas Shares Common Fund and the Property Common Fund are reported at market value to comply with current accounting standards.

Australian Fixed Interest Investments: Are valued at market value based on independently obtained market yields applying at balance date.

Advances to Estates: Are carried at their nominal amounts. Public Trustee is authorised by the Public Trustee Act 1995 to advance monies where an estate has insufficient monies to make payments as authorised or required to administer the estate, usually on a short term basis. Funds advanced are a first charge on the estate's property vested under the control of Public Trustee. The interest rate applicable on advances at 30 June 2017 was 1.70% (2.20%).

Cash at Bank and Cash Equivalents: Are carried at nominal amounts, translated at prevailing exchange rates where applicable. This asset consists of cash at bank and on hand, as well as other short term, highly liquid investments with original maturities of three months or less.

Other assets and other liabilities: Are carried at their nominal amounts.

(c) Basis of valuation for estate assets

Real Estate: For deceased estates, real estate is initially valued as at date of death. In other matters, the initial valuation is at the date Public Trustee is being appointed manager, administrator or new trustee. Public Trustee revalues all South Australian real estate other than accommodation bonds annually. All other real estate is revalued to current value where these values can be ascertained. Such revaluations are determined by reference to valuations established by the South Australian Valuer-General, with a revaluation last being carried out as at 30 June 2017. Accommodation bonds are valued annually at cost less retention amount until the retention terms have expired.

Superannuation: During the 2016-2017 reporting period client moneys were invested within an approved superannuation provider and were valued at fair value.

Personal Chattels: For deceased estates, valuation is at date of death; in other matters, valuation is at the date of Public Trustee being appointed manager, administrator or new trustee. In the case of some sundry minor assets, nominal values are used for valuation purposes.

Investment by Estates in Common Funds: Valuation of estate investment in common funds is based on the underlying fair value of common funds as at balance date.

Other Estate Investments: Investments other than equities are shown at their face value. Valuation is performed at the date of the Public Trustee being appointed manager, administrator or new trustee or at the date of death in the case of deceased estates. Equities are valued at net fair value as at balance date.

2. Operation of the Common Funds

Common Funds managed by Public Trustee have been established pursuant to Section 29 of the *Public Trustee Act 1995* or its predecessor legislation. Financial Statements for each common fund operated by Public Trustee are presented within the annual report of Public Trustee.

Investment in Common Funds (with the exception of direct investment in the Cash Common Fund) are by way of notional unit holdings in the common funds. Contributors may invest in the Cash Common Fund or alternately invest in a selection of common funds in proportions determined by one or more of the following standard investment strategies provided by Public Trustee:

- Capital Stable
- Growth
- Balanced
- Equities

3 Trust Funds under Administration

	Number		Value	
	2017	2016	2017 \$'000	2016 \$'000
Deceased Estates				
Monies and assets held under the administration of the Public Trustee pursuant to the provisions of the <i>Public Trustee Act 1995</i>	1 331	1 325	181 540	160 062
Trusts				
Monies and assets held under the administration of the Public Trustee pursuant to the terms of a Will or a Deed of Trust	1 280	1 280	126 970	120 819
Administration Matters				
Monies paid and assets transferred to the Public Trustee on account of minor beneficiaries pursuant to the <i>Public Trustee Act 1995</i>	348	382	43 599	41 595
Court Award Orders				
Monies directed by the Court to be paid to the Public Trustee on behalf of clients and invested and applied by the Public Trustee as the Court directs and monies administered by the Public Trustee under the <i>Aged and Infirm Persons Property Act 1940</i>	823	836	416 420	387 204
Protected Estates				
Monies administered by the Public Trustee under the <i>Guardianship and Administration Act 1993</i>	3 497	3 400	343 842	310 322
Workers Compensation Awards				
Monies directed by the Court to be paid to the Public Trustee on behalf of widows and minors and invested and applied by the Public Trustee as the Court directs	6	3	323	201
Powers of Attorney				
Monies and assets held on behalf of donors who have appointed the Public Trustee to act on their behalf	296	306	55 457	57 832
Investors				
Monies invested in Common Funds pursuant to Section 29 (1) of the <i>Public Trustee Act 1995</i> by classes of persons approved by the Minister	246	273	384 568	315 892
	<u>7 827</u>	<u>7 805</u>	<u>1 552 719</u>	<u>1 393 927</u>

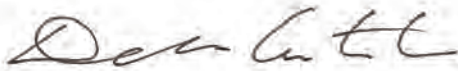
4 Unclaimed Monies

During the reporting period, amounts totalling \$2,934,953 (\$166 822) in respect of estates became/were identified as unclaimed monies. Payment of these amounts to the Consolidated Account pursuant to Section 32 (1) of the Public Trustee Act 1995 is expected to occur in the next financial year.

Certification of the Financial Statements

We certify that the:-

- accompanying Public Trustee Corporate Statements, Common Fund Statements and Statement of Trusts being Administered and the notes thereto:-
 - are in accordance with the accounts and records of Public Trustee; 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 Public Trustee at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by Public Trustee over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Debra Contala
Public Trustee



Tony Brumfield
General Manager, Business and Client
Financial Services

Date: - 14 September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Public Trustee

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 26(2), 30(2) and 50(2) of the *Public Trustee Act 1995*, I have audited the financial report of the Public Trustee for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Public Trustee as at 30 June 2017, 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.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017 for Corporate Operations
- a Statement of Financial Position as at 30 June 2017 for Corporate Operations
- a Statement of Changes in Equity for the year ended 30 June 2017 for Corporate Operations
- a Statement of Cash Flows for the year ended 30 June 2017 for Corporate Operations
- a Statement of Trusts being Administered as at 30 June 2017
- a Statement of Comprehensive Income for the year ended 30 June 2017 for each of the Common Funds
- a Statement of Financial Position as at 30 June 2017 for each of the Common Funds
- a Statement of Cash Flows for the year ended 30 June 2017 for each of the Common Funds
- notes, for each of the financial statements, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Public Trustee and the General Manager, Business and Client Financial Services.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Public Trustee. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the Public Trustee for the financial report

The Public Trustee 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 the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

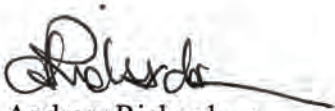
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Public Trustee
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Public Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

20 September 2017