



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 4

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Return to Work Corporation of South Australia

Financial report
for the year ended
30 June 2017

ReturnToWorkSA
Statement of Comprehensive Income
For the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Premium revenue	8	517,140	495,123
Cost of claims	9	(356,749)	(521,933)
Claims management fees		(65,842)	(72,922)
Ombudsman, tribunal and panel fees	12	(8,377)	(10,165)
Underwriting result		86,172	(109,897)
Net investment profit	8(b)	209,623	122,489
Self-insured employer fee	8(c)	12,099	12,302
Other income	8(d)	665	781
Net investment profit and other income		222,387	135,572
Return to Work Fund		-	(169)
General operating expenses	13	(63,990)	(66,492)
Total operating expenses		(63,990)	(66,661)
Operating profit/(loss) before tax equivalents		244,569	(40,986)
Tax equivalents	5(g)	(73,371)	-
Operating profit/(loss) after tax equivalents		171,198	(40,986)
Other comprehensive income - items that will not be reclassified to profit or loss			
Re-measurements of defined benefit liability	14(b)	4,238	(3,414)
Total comprehensive result		175,436	(44,400)

The total comprehensive result is attributable to the SA Government as owner.

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

ReturnToWorkSA
Statement of Financial Position
As at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Assets			
Cash	15	3	3
Trade and other receivables	16	65,432	78,200
Investments	17	2,991,426	2,749,676
Property, plant and equipment	18	4,309	5,771
Intangible assets	19	13,322	16,759
Total assets		3,074,492	2,850,409
Liabilities			
Trade and other payables	21	19,356	22,673
Outstanding claims	10, 11	2,459,637	2,480,528
Employee benefits	14(a)	16,989	21,212
Provisions	22	4,343	636
Tax equivalents		73,371	-
Total liabilities		2,573,696	2,525,049
Net assets		500,796	325,360
Equity			
Retained earnings		500,796	325,360
Total equity		500,796	325,360
Commitments	27		
Employer financial guarantees	28		
Self-Insured Insolvency Contribution Aggregate	29		
Contingent liabilities	30		

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

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

ReturnToWorkSA
Statement of Changes in Equity
For the year ended 30 June 2017

	2017	2016
	\$'000	\$'000
Total equity at the start of the year	325,360	369,760
Total comprehensive result	175,436	(44,400)
Total equity at the end of the year	500,796	325,360

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

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

ReturnToWorkSA
Statement of Cash Flows
For the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Premium receipts		579,330	563,870
Claim recoveries		11,232	25,564
Other receipts		332	1,719
Claim and other related payments		(390,952)	(618,983)
Interest received		36,605	38,998
Dividends received		49,733	45,182
Other payments to suppliers and employees		(127,984)	(178,054)
GST		(37,839)	(28,997)
Investment expenses		(5,133)	(5,236)
Net cash flows from/(used in) operating activities	23	<u>115,324</u>	<u>(155,937)</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		6	-
Proceeds from the sale of investments		519,807	761,283
Acquisition of property, plant and equipment		(1,530)	(614)
Acquisition of investments		(588,000)	(703,581)
Net cash flows from/(used in) investing activities		<u>(69,717)</u>	<u>57,088</u>
Net increase/(decrease) in cash and cash equivalents		45,607	(98,849)
Cash and cash equivalents at the beginning of the period		82,015	180,864
Cash and cash equivalents at the end of the period	15	<u>127,622</u>	<u>82,015</u>

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

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 1 Reporting entity and objectives

ReturnToWorkSA (RTWSA), the principal trading name of the Return to Work Corporation of South Australia is a statutory authority set up under the Return to Work Corporation of South Australia Act 1994. Domiciled in Australia RTWSA provides insurance protection for South Australian employers and their workers in the event of work-related injury. RTWSA administers the Return to Work Act 2014 (the Act).

For financial reporting purposes four separate funds are recognised as comprising RTWSA:

- Compensation Fund
- Statutory Reserve Fund
- Insurance Assistance Fund
- Mining and Quarrying Industries Fund

Compensation Fund

The Compensation Fund was established on 30 September 1987 under Section 64 of the repealed Workers Rehabilitation and Compensation Act 1986 and continues under the Return to Work Act 2014. Workers injured at work are supported and assisted in returning to work through the payment of income support, medical and other treatment costs.

Statutory Reserve Fund

The Statutory Reserve Fund was established under the repealed Workers Compensation Act 1971 and came into operation in 1980 against which claims relating to workers compensation could be made in the event of the insolvency of an insurance company or the insolvency of an uninsured employer.

The Compensation Fund is required to meet any liability arising from a shortfall of the Statutory Reserve Fund.

Insurance Assistance Fund

The Insurance Assistance Fund exists to support policies issued under Section 118(g) of the repealed Workers Compensation Act 1971. These policies provided assistance to employers who were unable to obtain satisfactory workers compensation insurance under the repealed act at a determined premium.

The Statutory Reserve Fund is required to meet any liability arising from a shortfall of the Insurance Assistance Fund.

Mining and Quarrying Industries Fund

Amendments to the repealed Workers Rehabilitation and Compensation Act 1986 provided for the establishment of the Mining and Quarrying Industries Fund to replace the Silicosis Fund. Funds standing to the credit of the Silicosis Fund were transferred to RTWSA and credited to a special account entitled 'Mining and Quarrying Industries Fund' which is divided into two parts:

Part A - to satisfy liabilities under the Silicosis Scheme established under the repealed act; and,

Part B - to be available to the Mining and Quarrying Occupational Health and Safety Committee for the purposes referred to in schedule 2 of the Work Health and Safety Act 2012.

Note 2 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 (AASBs) and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the Public Finance and Audit Act 1987.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 2 Statement of compliance (continued)

RTWSA has applied Australian Accounting Standards that are applicable for not-for-profit-entities, as RTWSA 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 RTWSA for the reporting period ending 30 June 2017. None of these are expected to have a significant effect on the financial statements of RTWSA, except as outlined in the table below:

Reference	Title	Summary	Impact	Application date for RTWSA
AASB 9	Financial Instruments	AASB 9 includes revised guidance on the classification and measurement of financial instruments. It includes a new expected loss model for calculating the impairment of financial assets.	The preliminary assessment indicates that applying AASB 9 may increase the provision for impairment but that the effect would not be material.	1 July 2018
AASB 16	Leases	Introduces a single lessee accounting model. It requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve 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.	The application of the standard will result in interest charges and depreciation in the early years of a lease exceeding the operating lease costs. This impact has been identified as not being material.	1 July 2019
AASB 17	Insurance Contracts	AASB 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued and reflects the view that an insurance contract combines features of both a financial instrument and a service contract. The approach presents insurance service results separately from insurance finance income or expenses and requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses for the reporting period in profit or loss or to recognise some income or expenses in other comprehensive income.	The impact of the standard has not been determined.	1 July 2021 The AASB is currently undertaking further outreach to determine the applicability of this standard to not-for-profit public sector entities.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 3 Basis of preparation

The financial statements have been prepared based on a twelve month period and are presented in Australian currency and have been rounded to the nearest thousand dollars (\$'000s).

The preparation of financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in applicable notes.
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.
- compliance with Accounting Policy Statements issued pursuant to section 41 of the Public Finance and Audit Act 1987. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100,000 for separate identification of these items applies;
 - (b) expenses incurred as a result of engaging consultants;
 - (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees;
 - (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 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 financial assets that are stated at their fair value and outstanding claims and related recoveries that are discounted to present value using a risk-free rate.

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

The Statement of Financial Position is prepared using the liquidity format in which the assets and liabilities are presented broadly in order of liquidity. The assets and liabilities comprise both current amounts and non-current amounts. Information regarding the amount of an item that is expected to be outstanding longer than 12 months is included within the relevant note to the financial statements.

Note 4 Use of judgements and estimates

RTWSA makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on RTWSA and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are those related to the valuation of outstanding claims liability.

Outstanding claims liability

RTWSA takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The details of the valuation of the outstanding claims liability are set out in Notes 10 and 11.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 4 Use of judgements and estimates (continued)

The outstanding claims liability has been established on the basis of independent actuarial assessments of the estimated costs of settlement of claims, inflated for the anticipated effects of inflation and other factors and discounted to a present value at the reporting period. Risk-free rates are used when discounting liabilities to current values. RTWSA has adopted a risk margin of 15.0% for the Compensation Fund (2016: 7.0%) and 10.5% for the Statutory Reserve Fund (2016: 6.0%) and the Insurance Assistance Fund (2016: 6.0%) to value all the outstanding claims liabilities (apart from the liabilities relating to asbestos related diseases where the applicable percentage adopted is 45% (2016: 25%) at 75% (2016: 65%) probability of sufficiency as approved by the Board. The risk margins were determined based on advice from Finity Consulting Pty Limited.

The outstanding claims liability includes a liability in respect of the estimated cost of claims incurred but not settled at the reporting period, including the cost of claims incurred but not yet reported (IBNR) to RTWSA. The IBNR which relates principally to claims for asbestos related diseases affects mainly the Statutory Reserve Fund and the Insurance Assistance Fund. The outstanding liability for the Mining and Quarrying Industries Fund, which had its triennial valuation at 30 June 2016, is \$100,000.

The estimated cost of claims includes estimates of the direct expenses to be incurred in settling claims net of the expected recoveries.

Premiums receivable

The premiums receivable balance is the estimate of premiums due up to 30 June to be received after allowing for impairment and refunds.

Note 5 Significant accounting policies

(a) Administered items

The financial statements and accompanying notes include all the controlled activities of RTWSA. Transactions and balances relating to administered resources are not recognised as corporation income, expense, assets and liabilities. As administered items are insignificant in relation to RTWSA's overall financial performance and position, they are disclosed under administered items at Note 31. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as RTWSA items.

(b) Foreign currency

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. Amounts payable to and by RTWSA in foreign currencies have been translated to Australian currency at rates of exchange current at the reporting period with resulting exchange differences brought to account at 30 June 2017.

(c) Insurance contracts

Insurance contracts are contracts under which an entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified future event (the insured event) adversely affects the policyholder or other beneficiary. RTWSA's liabilities for outstanding claims are similar in nature to general insurance contracts and accordingly are treated as general insurance contracts for the purpose of AASB 1023 General Insurance Contracts.

(d) Assets backing insurance liabilities

The assets backing insurance liabilities (outstanding claims) are those assets required to cover the insurance liabilities. Insurance liabilities are defined as outstanding claims and the liability for unearned premiums included in the Statement of Financial Position. As RTWSA operates solely in one industry and substantially all of its liabilities are insurance liabilities, RTWSA considers that substantially all of its assets, excluding property, plant and equipment, and intangible assets exist to back these insurance liabilities. As part of its investment strategy RTWSA seeks to manage its assets allocated to insurance activities having regard to the characteristics of the insurance liabilities.

(e) Revenue

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

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 5 Significant accounting policies (continued)

(e) Revenue (continued)

Revenue 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.

Claim recoveries

Claims recoveries are made from a range of parties in accordance with the Act.

Recoveries received are offset against the cost of claims. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims in that they are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. Movements in recoveries receivable are also shown as a cost of claims.

(f) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits 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:

Net profit/loss on non-current assets

Any profit/loss on disposal of property, plant and equipment is recognised at the date control of the asset is passed to the buyer and determined after deducting the proceeds from the carrying amount at the time of disposal.

Operating lease payments

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

Claims management fees

Claims management fees are determined on an accruals basis in accordance with the respective agreements between RTWSA and its claims agents.

Employee benefits - wages, salaries, skills and experience retention leave, annual leave and long service leave

Liabilities for employee benefits for wages, salaries, annual leave and skills and experience retention leave that are expected to be settled within 12 months of the reporting date and are measured at the undiscounted amount expected to be paid.

Where annual leave liability and skills and experience retention leave liability are expected to be payable later than twelve months, the liability is measured at present value.

The measurement and classification of long service leave is outlined in Note 14(a).

Employee benefits - defined contribution superannuation plan

Obligations for contributions to defined contribution superannuation funds are recognised in the Statement of Comprehensive Income as incurred.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 5 Significant accounting policies (continued)

(g) Taxation

In accordance with Treasurer's Instruction 22 Tax Equivalent Payments, effective 1 July 2015, RTWSA is required to pay to the SA Government an income tax equivalent. The Return to Work Corporation of South Australia Act 1994 restricts the application of tax equivalents to financial years in which RTWSA has achieved a funding level of at least 100% (with its outstanding claims liabilities at a 75% probability of sufficiency) and it has achieved a profit from insurance operations. The income tax liability is based on the State Taxation Equivalent Regime, which applies the accounting profit method. This requires the corporate income tax rate (30%) to be applied to the operating profit. The current income tax liability, if applicable, relates to the income tax expense outstanding for the current period.

RTWSA is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, land tax equivalents and local government rate equivalents.

Income, expenses and assets are recognised net of GST, except when the amount of GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO). 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.

(h) Futures contracts

Futures contracts are recorded in the financial statements at fair value. The fair value is the unrealised gain/loss on the outstanding contracts as at the reporting period. All open futures contracts mature within 12 months of the reporting period.

(i) Segment reporting

RTWSA operates within the insurance industry predominantly providing for the recovery, return to work and compensation of workers with respect to injuries and diseases arising from their employment. RTWSA operates solely in the State of South Australia.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 6 Reporting by fund

(a) Statement of Comprehensive Income for the year ended 30 June 2017

		Compensation Fund	Statutory Reserve Fund	Insurance Assistance Fund	Mining & Quarrying Industries Fund		2017 Total Funds	2016 Total Funds
	Notes	\$'000	\$'000	\$'000	Part A \$'000	Part B \$'000	\$'000	\$'000
Premium revenue		517,140	-	-	-	-	517,140	495,123
Cost of claims	9	(353,132)	(3,647)	30	-	-	(356,749)	(521,933)
Claims management fees		(65,842)	-	-	-	-	(65,842)	(72,922)
Ombudsman, tribunal and panel fees		(8,377)	-	-	-	-	(8,377)	(10,165)
Underwriting Result		89,789	(3,647)	30	-	-	86,172	(109,897)
Net investment profit		195,096	11,535	1,803	21	1,168	209,623	122,489
Self-insured employer fee		12,099	-	-	-	-	12,099	12,302
Other income		665	-	-	-	-	665	781
Net investment profit and other income		207,860	11,535	1,803	21	1,168	222,387	135,572
Return to Work Fund		-	-	-	-	-	-	(169)
General operating expenses		(62,864)	-	-	-	(1,126)	(63,990)	(66,492)
Total operating expenses		(62,864)	-	-	-	(1,126)	(63,990)	(66,661)
Operating profit/(loss) before tax equivalents		234,785	7,888	1,833	21	42	244,569	(40,986)
Tax equivalents		(73,371)	-	-	-	-	(73,371)	-
Operating profit/(loss) after tax equivalents		161,414	7,888	1,833	21	42	171,198	(40,986)
<i>Other comprehensive income - items that will not be reclassified to profit or loss</i>								
Re-measurements of defined benefit liability		4,238	-	-	-	-	4,238	(3,414)
Total comprehensive result		165,652	7,888	1,833	21	42	175,436	(44,400)

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 6 Reporting by fund (continued)

(b) Statement of Financial Position as at 30 June 2017

Statement of Financial Position as at 30 June 2017								
				Mining & Quarrying Industries Fund				
	Notes	Compensation Fund \$'000	Statutory Reserve Fund \$'000	Insurance Assistance Fund \$'000	Part A \$'000	Part B \$'000	2017 Total Funds \$'000	2016 Total Funds \$'000
Assets								
Cash		3	-	-	-	-	3	3
Trade and other receivables		65,397	-	-	-	35	65,432	78,200
Investments		2,789,736	160,617	25,204	293	15,576	2,991,426	2,749,676
Property, plant and equipment		4,309	-	-	-	-	4,309	5,771
Intangible assets		13,322	-	-	-	-	13,322	16,759
Total assets		2,872,767	160,617	25,204	293	15,611	3,074,492	2,850,409
Liabilities								
Trade and other payables		19,324	-	-	-	32	19,356	22,673
Outstanding claims	10, 11	2,385,798	73,526	213	100	-	2,459,637	2,480,528
Employee benefits		16,989	-	-	-	-	16,989	21,212
Provisions		4,343	-	-	-	-	4,343	636
Tax equivalents		73,371	-	-	-	-	73,371	-
Total liabilities		2,499,825	73,526	213	100	32	2,573,696	2,525,049
Net assets		372,942	87,091	24,991	193	15,579	500,796	325,360
Equity								
Retained earnings		372,942	87,091	24,991	193	15,579	500,796	325,360
Total earnings		372,942	87,091	24,991	193	15,579	500,796	325,360

Note 7 Funding ratio

The funding ratio is a measure of financial sustainability showing the availability of assets to fund the Scheme's liabilities.

The Board approved policy sets a funding range of 90% to 120%. The percentage is calculated from dividing total assets by total liabilities.

	2017 \$'000	2016 \$'000
Funded position	500,796	325,360
Funding percentage	119.5%	112.9%

The mechanism for managing the funding position is the Average Premium Rate. Each year the Average Premium Rate is reviewed and future projections of Scheme liability and cost are analysed to determine the most appropriate Average Premium Rate to achieve RTWSA's desired long-term funding and pricing position.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 8 Income

(a) Premium revenue

	2017 \$'000	2016 \$'000
Registered employer premium	516,023	493,846
Fines and penalties	1,117	1,277
Premium revenue	<u>517,140</u>	<u>495,123</u>

Premium revenue

Premiums are payable by all registered South Australian employers under the Act.

Premiums are calculated on the total remuneration paid by employers for the financial year, including consideration for claims experience and are recognised on an accruals basis in respect to the financial year for which the remuneration is paid. Estimates are included for premiums relating to the current financial year which are payable following the reporting period. Premiums attributable to future years and received in the current financial year have been classified as unearned premiums (refer Note 21).

(b) Net Investment profit

	2017 \$'000	2016 \$'000
Dividends	49,733	45,182
Interest received	36,605	38,998
Change in net market values:		
Investment held at end of financial year	106,792	58,130
Investment realised during the financial year	21,159	(15,061)
Investment profit	<u>214,289</u>	<u>127,249</u>
Investment expenses	(4,666)	(4,760)
Net investment profit	<u>209,623</u>	<u>122,489</u>

Investment income

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method. Dividend income is recognised in the Statement of Comprehensive Income on the date RTWSA's right to receive payments is established which in the case of quoted securities is the ex-dividend date.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 8 Income (continued)

(c) Self-insured employer fee

	2017	2016
	\$'000	\$'000
Self-insured employer fee - SA Government	5,572	5,402
Self-insured employer fee - Non SA Government	6,527	6,900
Self-insured employer fee	12,099	12,302

(d) Other income

	2017	2016
	\$'000	\$'000
Defined benefit fund	363	537
Sundry income	302	244
Other income	665	781

Note 9 Cost of claims

	Notes	2017	2016
		\$'000	\$'000
Income support		140,311	177,278
Redemptions		23,327	169,211
Lump sum payments		50,823	65,365
Hospital treatment		14,617	16,639
Medical treatment		61,377	66,949
Vocational rehabilitation		14,683	9,994
Physiotherapy		8,477	9,580
Legal costs		28,847	32,625
Other		22,857	35,616
Claims paid		365,319	583,257
Less recoveries from other parties		(10,211)	(23,240)
Net claims paid		355,108	560,017
Decrease in net outstanding claims liability	10, 11	(5,786)	(50,957)
Net self-insurer settlements		7,427	12,873
Cost of claims		356,749	521,933

ReturnToWorkSA
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Note 10 Outstanding claims liability - Compensation Fund

(a) Outstanding claims

	Notes	2017 \$'000	2016 \$'000
Expected future gross claims payments (undiscounted)		4,942,977	4,442,043
Discount to present value		(2,868,370)	(2,190,732)
Central estimate		2,074,607	2,251,311
Risk margin		311,191	157,592
Liability for outstanding claims		2,385,798	2,408,903
Recoveries	16	(65,776)	(80,881)
Net liability for outstanding claims		2,320,022	2,328,022
Current liability for outstanding claims		394,777	431,475
Non-current liability for outstanding claims		1,991,021	1,977,428
Total liability for outstanding claims		2,385,798	2,408,903
Change in liability for outstanding claims		(23,105)	(42,329)
Change in claim recoveries receivable		15,105	(13,885)
Movement in net outstanding claims liability		(8,000)	(56,214)

Weighted average expected term to settlement	15.0 years	15.0 years
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The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date by RTWSA, with an additional risk margin to allow for the inherent uncertainty in the central estimate. Under Actuarial Professional Standard 300, Valuations of General Insurance Claims, the central estimate is the best estimate of the expected liabilities for outstanding claims based on information currently available and exhibits no bias either towards a pessimistic or an optimistic outcome. A risk margin is applied to the outstanding claims liability to reflect the inherent uncertainty in the central estimate of the outstanding claims liability. The risk margin increases the probability that the net liability is adequately provided to approximately a 75% (2016: 65%) probability of sufficiency as approved by the Board.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not yet reported, claims incurred but under reported and anticipated claims handling expenses including the run-off provision. The expected future payments are discounted to present value using an appropriate risk-free rate.

The claims expense or income in the Statement of Comprehensive Income comprise claims paid and the change in the liability for outstanding claims both reported and unreported, including the risk margin and claims handling expenses.

The value of the claims liability is determined by RTWSA following an independent actuarial valuation by Finity Consulting Pty Limited. The value of the outstanding claims liability is based on a central estimate and includes a risk margin of 15.0% (2016: 7.0%) to bring the estimated net liability to a 75% (2016: 65%) probability of sufficiency.

The split of the outstanding claims liability between current and non-current liabilities is based on actuarial advice from Finity Consulting Pty Limited. Should the timing of cash flows vary from that projected by Finity Consulting Pty Limited then the proportions of the overall claims liability that are shown as current and non-current may vary.

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Notes to and forming part of the financial statements
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Note 10 Outstanding claims liability - Compensation Fund (continued)

(a) Outstanding claims (continued)

The RTW Scheme is designed to provide services and up to two years of income support and up to three years of medical support for workers injured at work together with long-term financial support for those seriously injured at work. Assumptions adopted in relation to the projected future payments made to claims are detailed below in Note 10(e).

The estimate of the value of the claims liability is based on the Act including the transitional provisions. Any divergence of the experience from the current valuation assumptions, whether favourable or adverse, will be reflected over time in relation to valuation assumptions.

Developments which potentially affect the Scheme's operating environment and the uncertainty of the liability estimate include:

- employer premium changes introduced with the intention of increasing the engagement of employers in the prevention and management of workplace injuries
- future cost growth in medical and treatment related expenditure items, particularly for long term claims
- the outcomes for claims with pending disputes
- actual experience for two year income support claims and whole person impairment assessments
- actual experience for serious injury claims
- the culture of the scheme and the implications for return to work outcomes
- future changes in the overall economic environment.

The decrease in the outstanding claims liability includes the net impact of the increase in the average discount rate from 3.28% at 30 June 2016 to 3.87% at 30 June 2017.

Note 10(f) sets out the impact of changes in the key assumptions on which the valuation of the outstanding claims liability is based.

(b) Net claims incurred

	Current year \$'000	Prior years \$'000	2017 Total \$'000	Current year \$'000	Prior years \$'000	2016 Total \$'000
Undiscounted						
Gross incurred	927,974	459,417	1,387,391	808,113	(788,461)	19,652
Recoveries	(12,972)	15,830	2,858	(13,876)	(22,690)	(36,566)
Net incurred	915,002	475,247	1,390,249	794,237	(811,151)	(16,914)
Discounted						
Gross incurred	538,765	(105,915)	432,850	508,618	83,252	591,870
Recoveries	(12,033)	15,352	3,319	(13,195)	(24,549)	(37,744)
Net incurred	526,732	(90,563)	436,169	495,423	58,703	554,126
Discount and discount movement						
Gross incurred	(389,209)	(565,332)	(954,541)	(299,495)	871,713	572,218
Recoveries	939	(478)	461	681	(1,859)	(1,178)
Net discount movement	(388,270)	(565,810)	(954,080)	(298,814)	869,854	571,040

The figures for current period claims relate to the risks borne in the current reporting period. The figures for prior period claims relate to the reassessment of the risks borne in all previous reporting periods.

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Note 10 Outstanding claims liability - Compensation Fund (continued)

(c) Claims development

	Prior years*	Year ended 30 June 2007	Year ended 30 June 2008	Year ended 30 June 2009	Year ended 30 June 2010	Year ended 30 June 2011	Year ended 30 June 2012	Year ended 30 June 2013	Year ended 30 June 2014	Year ended 30 June 2015	Year ended 30 June 2016	Year ended 30 June 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Estimate of ultimate claims cost**												
At the end of the year	5,308,393	422,794	445,035	471,917	506,902	527,850	625,012	665,173	574,982	353,734	406,719	411,384
One year later	5,375,011	435,848	447,935	480,472	487,196	586,296	616,974	602,689	403,139	373,333	407,683	-
Two years later	5,355,522	460,605	461,964	489,652	521,046	582,035	581,152	435,366	400,500	339,167	-	-
Three years later	5,270,586	475,519	457,878	517,651	499,973	545,014	415,185	448,842	387,006	-	-	-
Four years later	5,218,762	484,162	492,947	525,857	515,277	448,017	416,116	433,620	-	-	-	-
Five years later	5,197,075	496,736	513,198	542,833	420,122	429,945	413,940	-	-	-	-	-
Six years later	5,204,076	499,395	510,115	415,349	432,573	405,541	-	-	-	-	-	-
Seven years later	5,208,418	490,010	400,071	406,873	416,154	-	-	-	-	-	-	-
Eight years later	5,203,985	409,044	407,104	397,925	-	-	-	-	-	-	-	-
Nine years later	5,189,232	423,358	397,154	-	-	-	-	-	-	-	-	-
Ten years later	5,214,805	407,952	-	-	-	-	-	-	-	-	-	-
Eleven years later	5,194,149	-	-	-	-	-	-	-	-	-	-	-
Current estimate of cumulative claims costs**	5,194,149	407,952	397,154	397,925	416,154	405,541	413,940	433,620	387,006	339,167	407,683	411,384
Cumulative payments**	5,041,137	363,167	349,508	356,435	335,325	338,036	336,634	319,626	271,710	206,158	153,819	59,784
Outstanding payments**	153,012	44,785	47,646	41,490	80,829	67,505	77,305	113,994	115,296	133,010	253,864	351,600
Discount adjustment***	192,572	22,944	20,242	13,853	22,088	15,401	13,406	14,201	10,424	8,454	9,912	6,565
Net outstanding claims	345,584	67,729	67,888	55,344	102,918	82,906	90,711	128,194	125,720	141,463	263,776	358,165

* Development of incurred cost estimate as at 30 June 2007 for accidents prior to 30 June 2006.

** Discounted to the beginning of the accident year using actual historical discount rates and the discount rates applied in the estimation.

*** Discount adjustment from beginning of accident year to current valuation date.

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Notes to and forming part of the financial statements
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Note 10 Outstanding claims liability - Compensation Fund (continued)

(c) Claims development (continued)

	2017 \$'000	2016 \$'000
Prior years	345,584	406,813
Year ended 30 June 2007	67,729	94,589
Year ended 30 June 2008	67,888	87,575
Year ended 30 June 2009	55,344	76,656
Year ended 30 June 2010	102,918	131,159
Year ended 30 June 2011	82,906	121,834
Year ended 30 June 2012	90,711	103,551
Year ended 30 June 2013	128,194	165,382
Year ended 30 June 2014	125,720	171,002
Year ended 30 June 2015	141,463	229,148
Year ended 30 June 2016	263,776	352,986
Year ended 30 June 2017	358,165	-
Net outstanding claims	1,830,398	1,940,695
Claims handling expenses	187,012	235,026
Risk margin	302,612	152,301
Net liability for outstanding claims	2,320,022	2,328,022

(d) Maturity profile

	Up to 1 yr \$'000	1 to 3 yrs \$'000	3 to 5 yrs \$'000	5 to 10 yrs \$'000	10 to 20 yrs \$'000	Over 20 yrs \$'000	Total \$'000
2017	380,020	366,403	140,096	290,975	435,468	707,060	2,320,022
2016	420,097	330,035	149,348	285,203	451,309	692,030	2,328,022

(e) Key assumptions

The key assumptions used by Finity Consulting Pty Limited in developing the valuation of the claims liability are the economic assumptions relating to inflation and discount rates and the assumptions relating to the duration and severity of claims. The key assumptions have been developed through the actuarial analysis of historic trends in conjunction with analysis of current and likely future economic factors. The following key assumptions were used in the measurement of the outstanding claims liability:

	2017	2016
Economic Assumptions		
Inflation rate - income support	0.00% to 3.75%	0.00% to 3.25%
Inflation - medical, legal and other costs	2.20% to 4.00%	2.20% to 3.50%
Superimposed inflation rate - medical payments	0.00% to 4.00%	2.00% to 3.00%
Superimposed inflation rate - other	0.00% to 4.00%	0.00% to 3.00%
Discount rate	3.87%	3.28%
Duration and severity of claims	Refer below	Refer below
Claims handling expenses	9.9%	19.0%
Risk margin	15.00%	7.00%

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Notes to and forming part of the financial statements
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Note 10 Outstanding claims liability - Compensation Fund (continued)

(e) Key assumptions (continued)

Finity Consulting Pty Limited has made a range of assumptions relating to the projected durations that claimants will remain in receipt of payments and the quantum of those payments having regard to the particular characteristics of groups of claims including:

- the distribution of claims between injured and seriously injured workers (assessed as having a whole person impairment (WPI) greater than 30%)
- the analysis of past claims experience including the cost of claims.

The valuation of the outstanding claims liability is strongly dependent on the assumptions adopted in relation to the duration of the long-term claims for seriously injured workers.

(f) Sensitivity to changes in key assumptions

The sensitivity of the discounted net outstanding claims estimate and profit/(loss) impact at the 75th percentile (i.e. after allowing for the risk margin) to changes in key assumptions is shown in the following table:

	Increase/ (decrease) in net liability \$'million	Percentage of net liability
Economic and modelling assumptions		
Strong economic scenario (3% gap between inflation and discount rate)	(583)	(25%)
Weak economic conditions (-1% gap)	179	8%
Duration and severity of claims		
Superimposed inflation is 1% higher than assumed for medical care costs for serious injury claims	322	14%
Impact of a 6 year increase in the life expectancy of catastrophic injury claims	392	17%
WPI assessments increase by 2% as a result of the higher incentives under the RTW Act	147	6%

In conducting its valuation, Finity Consulting Pty Limited modelled a number of other scenarios under which the assumptions for future claims experience differed from those used in the valuation. Under those scenarios the total value of the liability differed from the central estimate by plus or minus amounts which were within the variation range of values shown above.

The selection of the probability of sufficiency has a material impact on the valuation of the outstanding claims liability. Had a 75% probability been adopted in 2016 compared to the 65% probability adopted the outstanding claims liability would have been \$120.0m higher in 2016.

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Notes to and forming part of the financial statements
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Note 11 Outstanding claims liability - Other Funds

(a) Outstanding claims - SRF and IAF

	SRF \$'000	IAF \$'000	2017 Combined \$'000	2016 Combined \$'000
Open claims	4,052	-	4,052	2,484
Total incurred but not yet reported (IBNR)	43,647	135	43,782	50,631
Claims handling expenses	4,054	12	4,066	4,515
Central estimate	51,753	147	51,900	57,630
Risk margin	21,773	66	21,839	13,895
Net liability for outstanding claims	73,526	213	73,739	71,525

The value of the claims liability is determined by RTWSA following an independent actuarial valuation by Finity Consulting Pty Limited. The claims liability estimate is based on a central estimate and includes a risk margin to bring the estimate of claims to a 75% (2016: 65%) probability of sufficiency.

The IBNR component is primarily made up of the estimated liability of the funds for asbestos related disease claims that will be made after 30 June 2017 due to exposure prior to 30 June 2017. Due to the latent nature of the disease there is a significant delay between the time of injury and reporting of the claim. Relatively few claims have been notified at the date of adopting these financial statements. The generally accepted opinion is that this delay is in the order of 40 years on average.

The asbestos related disease IBNR component was estimated by Finity Consulting Pty Limited based on:

- forecast total future claim numbers derived by fitting projection models to the SRF/IAF claims data by disease recognising the varying nature of the exposure for different claims
- forecasts of average claim costs derived from analysis of SRF/IAF claims data, external data and information obtained from discussion with key parties. This analysis was based on disease type, size of claim and legal costs, adjusted to allow for the timing of claim payments and for future claims inflation, discounted to their present value.

(b) Maturity profile - SRF and IAF

The expected maturity of the discounted net outstanding claims provision is analysed below.

	Up to 1 yr \$'000	1 to 3 yrs \$'000	3 to 5 yrs \$'000	5 to 10 yrs \$'000	10 to 20 yrs \$'000	Over 20 yrs \$'000	Total \$'000
2017	4,522	5,553	6,578	16,081	25,748	15,257	73,739
2016	2,249	5,008	5,898	15,333	25,928	17,109	71,525

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Notes to and forming part of the financial statements
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Note 11 Outstanding claims liability - Other Funds (continued)

(c) Movement in liability - SRF and IAF

	SRF 2017 \$'000	2016 \$'000	Change \$'000	IAF 2017 \$'000	2016 \$'000	Change \$'000
Asbestos related						
Reported	2,765	989	1,776	-	-	-
IBNR / re-opened claims	43,480	50,283	(6,803)	135	179	(44)
	46,245	51,272	(5,027)	135	179	(44)
Non-asbestos related						
Reported	1,287	1,495	(208)	-	-	-
IBNR / re-opened claims	167	169	(2)	-	-	-
	1,454	1,664	(210)	-	-	-
Central estimate	47,699	52,936	(5,237)	135	179	(44)
Claims handling expenses	4,054	4,500	(446)	12	15	(3)
Risk margin	21,773	13,846	7,927	66	49	17
Total outstanding claims liability	73,526	71,282	2,244	213	243	(30)

(d) Key assumptions

The key assumptions used in developing the estimate of the outstanding claims liability include economic assumptions relating to inflation and discount rates, the assumptions relating to severity of claims and the assumptions used to estimate the level of claims incurred but not reported. The key assumptions have been developed through the actuarial analysis of historic trends in conjunction with analysis of current and likely future economic factors.

	2017	2016
Inflation rate		
asbestos claims	5.25%	5.10%
non asbestos claims	3.25%	3.10%
Discount rate		
asbestos IBNR	3.20%	2.70%
other	3.20%	2.70%
Claim handling expenses	8.50%	8.50%
Risk margin		
reported claims	10.50%	6.00%
IBNR claims	45.00%	25.00%

The significant assumptions underpinning the asbestos related disease IBNR are that the propensity to claim and the basis for compensating claims remain similar to the current situation, specifically:

- the number of diagnosed incidents of asbestos related disease continues to develop in line with past trends
- the proportion of incidents compensated by the funds remains similar to current levels but with an allowance for an increase in the proportion of claims which revert to the SRF from uninsured and insolvent employers
- there are no additional failures of insurance companies.

(e) Sensitivity to changes in key assumptions

The key sensitivity for the SRF and the IAF is in relation to the ultimate value of the IBNR for asbestos related claims.

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Notes to and forming part of the financial statements
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Note 11 Outstanding claims liability - Other Funds (continued)

(f) Mining and Quarrying Industries Fund - Silicosis liability

The 30 June 2016 triennial valuation undertaken by Finity Consulting Pty Limited estimated the extent of the existing and prospective liabilities for the Silicosis Scheme under the repealed Act as being \$100,000.

(g) Summary of Other Funds

	2017 \$'000	2016 \$'000
Statutory reserve fund	73,526	71,282
Insurance assistance fund	213	243
Mining and quarrying industries fund	100	100
Net liability for outstanding claims	<u>73,839</u>	<u>71,625</u>
Current liability for outstanding claims	4,521	2,249
Non-current liability for outstanding claims	<u>69,318</u>	<u>69,376</u>
Total liability for outstanding claims	<u>73,839</u>	<u>71,625</u>
Change in liability for outstanding claims	<u>2,214</u>	<u>5,257</u>

Note 12 Ombudsman, tribunal and panel fees

	2017 \$'000	2016 \$'000
South Australian Employment Tribunal	7,782	9,170
Medical panels	-	466
Ombudsman funding	595	529
Total ombudsman, tribunal and panel fees	<u>8,377</u>	<u>10,165</u>

Note 13 General operating expenses

	Notes	2017 \$'000	2016 \$'000
Employee benefits	14	36,934	33,429
Depreciation		1,771	1,622
Amortisation		4,439	4,388
Expenses relating to operating leases		2,544	2,534
Loss on disposal of non-current assets		75	-
Other operating costs		<u>18,227</u>	<u>24,519</u>
Total general operating expenses		<u>63,990</u>	<u>66,492</u>

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the PFAA were \$425,000 (2016: \$395,000). No other services were provided by the Auditor-General's Department.

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Notes to and forming part of the financial statements
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Note 13 General operating expenses (continued)

The number and dollar amount of consultancies paid/payable (included in Return to Work Fund and general operating expenses) that fell within the following bands:

	No.	2017 \$'000	No.	2016 \$'000
Below \$10,000	1	9	3	15
Above \$10,000	10	1,654	19	2,362
Total paid/payable to the consultants engaged	11	1,663	22	2,377

Note 14 Employee benefits

	2017 \$'000	2016 \$'000
Salaries and wages	32,463	28,434
Long service leave	447	901
Annual leave	558	430
Skills and experience retention leave	70	53
Defined benefit plan service cost	180	173
Defined benefit plan interest cost	681	891
Contributions to defined contribution plans	2,535	2,547
Total employee benefits expenses	36,934	33,429

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

	2017 No.	2016 No.
\$145,000 to \$147,000*	-	2
\$147,001 to \$157,000	9	4
\$157,001 to \$167,000	5	6
\$167,001 to \$177,000	2	1
\$177,001 to \$187,000	3	8
\$187,001 to \$197,000	1	-
\$197,001 to \$207,000	4	2
\$207,001 to \$217,000	2	1
\$217,001 to \$227,000	-	1
\$227,001 to \$237,000	1	3
\$237,001 to \$247,000	2	1
\$267,001 to \$277,000	-	2
\$287,001 to \$297,000	1	-
\$307,001 to \$317,000	1	-
\$337,001 to \$347,000	1	1
\$347,001 to \$357,000	1	-
\$357,001 to \$367,000	-	1
\$377,001 to \$387,000	-	1
\$457,001 to \$467,000	1	-
\$627,001 to \$637,000	-	1
Total	34	35

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Note 14 Employee benefits (continued)

The table includes all employees who received Normal Remuneration equal to or greater than the base executive remuneration level during the year. The remuneration amounts shown above include all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits, any fringe benefits tax paid, or payable in respect of those benefits, and payments of accumulated annual leave, long service leave, superannuation and eligible termination payments, in respect of certain employees whose employment terminated in the financial year. The total remuneration received by these employees for the year was \$7.0 million (2016: \$7.5 million).

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2015-16.

(a) Liability for employee benefits

	2017 \$'000	2016 \$'000
Current		
Annual leave	2,086	1,944
Recognised liability for defined benefit obligations	1,904	1,512
Skills and experience retention leave	84	87
Long service leave	2,878	3,029
	<u>6,952</u>	<u>6,572</u>
Non-current		
Recognised liability for defined benefit obligations	8,174	12,882
Long service leave	1,863	1,758
	<u>10,037</u>	<u>14,640</u>
Total employee benefits	<u>16,989</u>	<u>21,212</u>

Employee benefits - long service leave

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

The unconditional portion of the long service leave provision is classified as current as RTWSA does not have an unconditional right to defer the settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after ten years of service.

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Notes to and forming part of the financial statements
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Note 14 Employee benefits (continued)

(b) Movement in net liability for defined benefit obligations

	2017 \$'000	2016 \$'000
Balance at 1 July	(14,394)	(11,141)
Included in result from operating activities		
Service cost	(180)	(173)
Net interest	(317)	(354)
	(497)	(527)
Included in other comprehensive income		
Re-measurement gain:		
- Actuarial gain / (loss)	2,613	(3,579)
- Actual return on assets less interest income	1,625	165
	4,238	(3,414)
Other		
Employer Contributions	575	688
Balance at 30 June	(10,078)	(14,394)

(c) Net liability for defined benefit obligations

	2017 \$'000	2016 \$'000
Fair value of scheme assets	17,320	16,145
Defined benefit obligation	(27,398)	(30,539)
Net liability	(10,078)	(14,394)

(d) Reconciliation of the fair value of the defined benefit plan assets

	2017 \$'000	2016 \$'000
Opening fair value of defined benefit plan assets	16,145	15,821
Interest income	363	537
Actual return on assets less interest income	1,625	165
Employer contributions	575	687
Benefits and expenses paid	(1,388)	(1,065)
Closing fair value of defined benefit plan assets	17,320	16,145

RTWSA expects to contribute \$582,592 to the defined benefit plans in the 2017-18 financial year.

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Notes to and forming part of the financial statements
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Note 14 Employee benefits (continued)

(e) Reconciliation of the present value of the defined benefit obligation

	2017	2016
	\$'000	\$'000
Opening present value of defined benefit obligations	30,539	26,962
Current service cost	180	173
Interest cost	680	891
Actuarial (gains)/losses:		
- Impact of changes in demographic assumptions	(451)	-
- Impact of changes in financial assumptions	(2,081)	3,887
- Experience Items	(81)	(309)
Benefits and expenses paid	(1,388)	(1,065)
Closing present value of defined benefit obligations	27,398	30,539

Employee benefits - defined benefits superannuation plan

RTWSA's net obligation is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value from which the fair value of any plan assets is deducted. The discount rate is the yield at the reporting period on government bonds that have maturity dates approximating to the terms of RTWSA's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Under AASB 119, RTWSA determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of the contributions and benefit payments.

Employees who participate in the defined benefit superannuation fund are deemed to be members of the defined benefit categories of the State Superannuation Scheme. The defined benefit superannuation fund has been closed to new members since May 1994.

The State Superannuation Scheme's assets are under Funds SA's management and invested in its Growth Sector Fund. The Growth Sector Fund was created on 1 April 2005. The net market value of individual assets or portfolios that comprise the Growth Sector Fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy. Funds SA uses external fund managers to manage its growth portfolio. The investments are in wholesale pooled unit trusts or managed funds offered by each manager.

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30 June 2017

Note 14 Employee benefits (continued)

(f) Each major asset category as a percentage of the fair value of the total plan assets

	2017		2016	
	Active Market %	Non-active Market %	Active Market %	Non-active Market %
Australian equities	26.0	0.0	24.0	0.0
International equities	26.3	0.0	24.1	0.0
Property	2.2	13.0	2.5	11.8
Diversified strategies growth	1.0	10.8	0.8	10.2
Diversified strategies income	15.2	0.0	15.7	0.0
Inflation linked securities	3.2	1.0	0.0	5.7
Long term fixed interest	0.0	0.0	2.8	0.0
Cash	1.3	0.0	2.4	0.0
Total	75.2	24.8	72.3	27.7

(g) Major economic assumptions

	2017	2016
Discount rate	2.9%	2.3%
Long term salary rate increases	4.0%	4.0%
Long term CPI increases	2.5%	2.5%

(h) Sensitivity analysis

	Base Case	Discount rate plus 0.5%	Discount rate less 0.5%	Salary increase rate plus 0.5%	Salary increase rate less 0.5%	Pension increase rate plus 0.5%	Pension increase rate less 0.5%
Scenario							
Present value of defined benefit obligation (\$'000)	27,398	-	-	-	-	-	-
Changed defined benefit obligation (\$'000)	-	25,869	29,086	27,518	27,284	28,968	25,967
Change in defined benefit obligation	-	(5.6%)	6.2%	0.4%	(0.4%)	5.7%	(5.2%)

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Note 14 Employee benefits (continued)

(i) Maturity profile

The weighted average duration of the defined benefit obligation is 14.7 years (2016: 15.5 years). The expected maturity analysis of undiscounted benefit obligations is as follows:

	Less than 1 year \$'000	Between 1-2 years \$'000	Between 2-5 years \$'000	Between 5-10 years \$'000	Between 10-15 years \$'000	Between 15-20 years \$'000	Between 20-25 years \$'000	Over 25 Years \$'000	Total \$'000
Defined benefit obligation 2017	1,904	1,542	4,694	7,806	7,028	5,896	5,094	7,162	41,126
Defined benefit obligation 2016	1,512	1,788	4,676	8,063	7,457	6,184	5,293	8,938	43,911

Note 15 Cash and cash equivalents

	Notes	2017 \$'000	2016 \$'000
Cash		3	3
Cash equivalents		127,619	82,012
Cash and cash equivalents in the Statement of Cash Flows		127,622	82,015

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

Note 16 Trade and other receivables

	Notes	2017 \$'000	2016 \$'000
Current receivables			
Trade receivables		16,767	11,740
Less allowance for doubtful debts		(7,676)	(8,500)
		9,091	3,240
Refunds		(9,436)	(6,500)
Recoverable claim payments	10	14,757	11,378
Sundry debtors and prepayments		1	579
Total current receivables		14,413	8,697
Non-current receivables			
Recoverable claim payments	10	51,019	69,503
Total non-current receivables		51,019	69,503
Total trade and other receivables		65,432	78,200

Movement in the allowance for doubtful debts

Opening balance	(8,500)	(8,500)
Amounts written off	6,537	3,600
Increase in allowance recognised	(5,713)	(3,600)
Total current receivables	(7,676)	(8,500)

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Note 16 Trade and other receivables (continued)

The carrying amounts of receivables approximates net fair value due to being receivable on demand. Claim recoveries receivable are stated at the amounts estimated in the actuarial valuation.

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

Note 17 Investments

	2017 \$'000	2016 \$'000
Deposits with financial institutions	410,886	376,762
Government/semi-government securities	559,009	536,587
Non-government debt instruments	345,602	450,899
Securities listed on the Australian Stock Exchange	294,932	306,237
Securities listed on overseas stock exchanges	788,203	778,068
Unit Trusts – unlisted property and debt security assets	582,184	287,154
Derivatives	10,610	13,969
Total investments	<u>2,991,426</u>	<u>2,749,676</u>
Current	511,781	469,342
Non-current	2,479,645	2,280,334
Total investments	<u>2,991,426</u>	<u>2,749,676</u>

Investments are measured at fair value. Changes in the fair values of investments at the reporting period from the end of the previous reporting period, or from cost of acquisition if acquired during the financial year, are recognised as gains or losses in the Statement of Comprehensive Income.

The fair value of investments represents their net fair value and is determined as follows:

- cash assets are carried at the face value of the amounts deposited or drawn which approximates their fair value
- listed securities and Government securities are valued by reference to market quotations
- underlying property assets and investments in unlisted unit trusts are valued by reference to independent third parties.

All investments are classified as backing insurance liabilities (outstanding claims liabilities).

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Note 18 Property, plant and equipment

	Leasehold improvements including office furniture and fittings \$'000	Computer, communications and general office equipment \$'000	Total \$'000
Fair value			
Balance at 1 July 2015	7,340	3,414	10,754
Additions	-	558	558
Disposals	-	(142)	(142)
Balance at 30 June 2016	7,340	3,830	11,170
Balance at 1 July 2016	7,340	3,830	11,170
Additions	-	389	389
Disposals	(565)	(1,221)	(1,786)
Balance at 30 June 2017	6,775	2,998	9,773
Depreciation			
Balance at 1 July 2015	(2,426)	(1,493)	(3,919)
Depreciation charge	(793)	(829)	(1,622)
Disposals	-	142	142
Balance at 30 June 2016	(3,219)	(2,180)	(5,399)
Balance at 1 July 2016	(3,219)	(2,180)	(5,399)
Depreciation charge	(771)	(1,000)	(1,771)
Disposals	561	1,145	1,706
Balance at 30 June 2017	(3,429)	(2,035)	(5,464)
Carrying Amounts			
At 30 June 2016	4,121	1,650	5,771
At 30 June 2017	3,346	963	4,309

All assets acquired, including leasehold improvements, computer and communications and general office equipment are stated at cost less accumulated depreciation and accumulated impairment losses, deemed to be fair value.

Refer to Note 20 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements.

Depreciation is calculated on a straight line basis so as to write off the cost of each item over its expected useful life. The estimated useful life in years used for each class of asset is as follows:

	2017	2016
Leasehold improvements including office furniture and fittings	5-10	5-10
Computer and communications and general office equipment	3-5	4-5

The cost of improvements to leasehold properties is amortised over the shorter of the unexpired period of the lease and the estimated useful lives of the improvements.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

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Note 19 Intangible assets

	IT development and software \$'000
Cost	
Balance at 1 July 2015	43,880
Balance at 30 June 2016	<u>43,880</u>
Balance at 1 July 2016	43,880
Additions	<u>1,002</u>
Balance at 30 June 2017	<u>44,882</u>
Amortisation	
Balance at 1 July 2015	(22,733)
Amortisation Charge	<u>(4,388)</u>
Balance at 30 June 2016	<u>(27,121)</u>
Balance at 1 July 2016	(27,121)
Amortisation Charge	<u>(4,439)</u>
Balance at 30 June 2017	<u>(31,560)</u>
Carrying Amounts	
At 30 June 2016	16,759
At 30 June 2017	<u>13,322</u>

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised can include external direct costs of materials and services, direct payroll and payroll related costs of employees' time spent on the project.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where RTWSA has an intention and ability to use the asset.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Statement of Comprehensive Income as incurred.

Amortisation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the intangible assets, from the date that they are available for use. The estimated useful life is three to ten years.

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Note 19 Intangible assets (continued)

Impairment

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. 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.

Note 20 Fair value measurement (non-financial assets)

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

Fair value of non-financial assets, which must be estimated for recognition or for disclosure purposes, is measured using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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.

RTWSA had no valuations categorised into levels 1 or 2.

In determining fair value 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) has been taken into account.

Current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As no factors were identified to suggest an alternative use, fair value measurement was based on current use.

	Leasehold improvements including office furniture and fittings \$'000	Computer, communications and general office equipment \$'000	Total \$'000
Balance at 1 July 2015	4,914	1,921	6,835
Acquisitions	-	558	558
Depreciation	(793)	(829)	(1,622)
Disposals	-	-	-
Balance at 30 June 2016	4,121	1,650	5,771
Balance at 1 July 2016	4,121	1,650	5,771
Acquisitions	-	389	389
Depreciation	(771)	(1,000)	(1,771)
Disposals	(4)	(76)	(80)
Balance at 30 June 2017	3,346	963	4,309

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Notes to and forming part of the financial statements
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Note 20 Fair value measurement (non-financial assets) (continued)

Total losses for level 3 non-financial assets in the period included in general operating expenses:

	\$'000
2016	(1,619)
2017	(1,846)

Note 21 Trade and other payables

	2017 \$'000	2016 \$'000
Current		
Trade payables	17,876	19,939
Unearned premiums	38	378
Employment on-costs	711	903
Non-current		
Trade payables	543	1,329
Employment on-costs	188	124
Total trade and other payables	19,356	22,673

Payables are measured at nominal amounts, and 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.

Note 22 Provisions

	2017 \$'000	2016 \$'000
Balance at the start of the year	636	1,715
Provisions made/(written back) during the year	3,720	(369)
Provisions used during the year	(13)	(710)
Balance at the end of the year	4,343	636

The provision relates to redundancies arising from internal restructuring activities decided upon prior to 30 June 2017. The redundancy provision is calculated in accordance with the RTWSA Award 2015 and RTWSA Enterprise Agreement 2015. RTWSA expects to extinguish the liability within the next 12 months.

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Note 23 Reconciliation of comprehensive result to net cash flows from operating activities

	2017 \$'000	2016 \$'000
Total comprehensive result	175,436	(44,400)
Depreciation	1,771	1,622
Amortisation	4,439	4,388
Net loss on sale of non-current assets	75	-
Investment (profit)	(214,289)	(127,249)
Dividends received	49,733	45,182
Interest received	36,605	38,998
Increase/(decrease) in payables	(3,178)	(31,130)
(Increase)/decrease in receivables	12,768	(8,815)
Increase/(decrease) in outstanding claims liability	(20,891)	(37,072)
Increase/(decrease) in employee benefits	(4,223)	3,618
Increase/(decrease) in tax equivalents provision	73,371	-
Increase/(decrease) in provisions	3,707	(1,079)
Net cash flows from operating activities	<u>115,324</u>	<u>(155,937)</u>

Note 24 Risk management

(a) Overview

RTWSA's risk management framework is the principal means by which identified risks are managed. RTWSA has developed a corporate governance framework that supports risk management. Each identified risk is analysed according to an established risk management process and appropriate treatment strategies are adopted in order to manage RTWSA's exposure to risk. The key aspects of the process established in the risk management framework to mitigate risk include:

- the establishment of a Board Audit and Risk Committee, which is responsible for developing and monitoring risk management policies
- the establishment of the Risk Appetite Statement which is reviewed annually
- the establishment and regular review by the Board and management of a corporate risk register
- the establishment of a system of internal controls to manage risk
- the maintenance and use of management information systems which provide up to date, reliable data relevant to the risks to which the business is exposed
- the identification of operational risks and the establishment and implementation of processes to address and mitigate those risks.

The Board Audit and Risk Committee reports regularly to the Board on its activities. The Committee oversees how management monitors compliance with RTWSA's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by RTWSA. A risk management policy is in place to ensure risks are identified, analysed and managed appropriately by RTWSA. RTWSA's risk management framework is part of its governance risk and compliance system which is reviewed regularly to reflect changes in market conditions and in RTWSA's activities. RTWSA, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The Committee is assisted in its oversight by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit and Risk Committee.

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Note 24 Risk management (continued)

(a) Overview (continued)

The broad categories of risk faced by RTWSA are:

- insurance risk
- operational risk
- financial risk.

(b) Insurance risk

As set out in Note 1, RTWSA provides workers compensation coverage, in accordance with the Act, to workers employed in South Australia through the following funds:

- Compensation Fund
- Statutory Reserve Fund
- Insurance Assistance Fund
- Mining and Quarrying Industries Fund.

In accordance with the Act the Compensation Fund is funded by charging premiums to all employers covered by the Act which are calculated as a percentage of the remuneration paid or expected to be paid by each employer. The percentage or premium rate applicable to each employer is determined annually based on the industry in which the employer operates and the Average Premium Rate. Small employers, with annual remuneration less than \$12,426 (subject to indexation), are not required to register or pay a premium.

The Average Premium Rate is set annually by the Board in accordance with its funding and premium setting policy based on an actuarial assessment of the expected claims and expenses of the Compensation Fund and an estimate of the likely overall remuneration for all the employers that are required to pay premiums under the Act. The Average Premium Rate is then used as a basis for determining an individual premium rate for individual industry groups.

The risk of setting incorrect premium rates is controlled by taking external actuarial advice concerning the funding requirements of the Scheme and through the use of robust and historical models. The number of registered (non self-insured) employers insured under the Act for the financial year was approximately 50,000. The entitlements payable to injured workers are determined by the Act.

RTWSA's approach to determining the outstanding claims provisions and related sensitivities is set out in Notes 10 and 11. RTWSA relies on the following key controls in seeking to ensure the adequacy of the claims provision

- Compensation Fund - every six months
- Statutory Reserve Fund (excluding IBNR arising from asbestos related matters) - every twelve months
- Insurance Assistance Fund (excluding IBNR arising from asbestos related matters) - every twelve months
- IBNR arising from asbestos related matters - every twelve months with a more detailed review every two years
- Mining and Quarrying Industries Fund - every three years.

(c) Operational risk

Operational risk relates to the risk of loss arising from systems failure, human error or from other circumstances not related to insurance or financial risks. These risks are managed through the risk framework outlined above which includes a system of delegated authorities, effective segregation of duties, access controls and review processes.

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Note 24 Risk management (continued)

(d) Financial risk

RTWSA has exposure to the following financial risks:

- credit risk
- liquidity risk
- market risk.

RTWSA's exposure to these risks arises primarily in relation to its investment portfolio but also in relation to its other financial assets. This note presents information about RTWSA's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Investments – risk management framework

RTWSA's Investment Policy and Strategy document describes the framework within which the RTWSA investment program functions, including the Board's governance arrangements for the investment program.

The mission of the investment program is to contribute to an improved funding position for the Scheme. The investment program will achieve this by delivering, over the long term, a rate of return that exceeds the average actuarial discount rate.

The current long term return objective for the investment program is a return of CPI + 2.5%. This will be achieved through adopting a moderate risk, balanced investment portfolio.

The formal investment policy is reviewed annually by the Board to ensure it remains appropriate to the organisation's current circumstances.

The investment portfolio is managed internally by experienced professionals supported by an internationally recognised investment firm that provides advice on asset allocation, selection of external fund managers, and undertakes specialised investment research and performance measurement.

The Board Investment and Finance Committee monitors the investment program on a regular basis.

RTWSA has a master custody arrangement with National Australia Bank (NAB). All assets are held by NAB under safe custody, except for the internally managed cash.

At any particular time the composition of the portfolio will vary from the Board approved investment strategy targets depending on the decisions of individual fund managers and market movements. However any variance to the target is required to be within Board approved limits.

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Note 24 Risk management (continued)

(d) Financial risk (continued)

The composition of each asset group at 30 June 2017 was:

	Deposits With Financial Institutions \$'000	Government / semi - Government Securities \$'000	Non- Government Debt Instruments \$'000	Securities listed on the Australian stock exchange \$'000	Securities listed on overseas stock exchanges \$'000	Unit Trust - Unlisted Property and Private Debt Assets \$'000	Derivatives \$'000	Total \$'000
Cash	127,619	-	-	-	-	-	-	127,619
Fixed interest	3,897	225,136	98,527	-	-	-	(353)	327,207
Inflation Linked Securities	199,855	327,644	70,309	-	-	-	-	597,808
Australian Equities	7,042	-	-	279,523	466	-	1,043	288,074
Overseas Equities - hedged	-	-	-	-	224,212	-	5,481	229,693
Overseas Equities - unhedged	-	-	-	-	346,164	-	-	346,164
Property & Infrastructure	8,968	-	-	15,409	217,361	445,330	2,852	689,920
Alternative income	63,505	6,229	176,766	-	-	136,854	1,587	384,941
	410,886	559,009	345,602	294,932	788,203	582,184	10,610	2,991,426

The composition of each asset group at 30 June 2016 was:

	Deposits With Financial Institutions \$'000	Government / semi - Government Securities \$'000	Non- Government Debt Instruments \$'000	Securities listed on the Australian stock exchange \$'000	Securities listed on overseas stock exchanges \$'000	Unit Trust - Unlisted Property and Private Debt Assets \$'000	Derivatives \$'000	Total \$'000
Cash	82,012	-	-	-	-	-	-	82,012
Fixed interest	10,932	235,677	119,070	-	-	-	260	365,939
Inflation Linked Securities	223,693	282,142	62,733	-	-	-	32	568,600
Australian Equities	8,879	-	-	290,801	-	-	865	300,545
Overseas Equities - hedged	-	-	-	-	204,390	-	7,488	211,878
Overseas Equities - unhedged	-	-	-	-	330,403	-	-	330,403
Property & Infrastructure	4,440	-	-	15,436	243,275	287,154	5,062	555,367
Alternative income	46,806	18,768	269,096	-	-	-	262	334,932
	376,762	536,587	450,899	306,237	778,068	287,154	13,969	2,749,676

Use of derivatives

In the normal course of its investment activities RTWSA is party to arrangements involving derivatives. Derivatives held within portfolios through RTWSA's custodian have three main objectives:

- risk management - minimisation or reduction of specific risks within a given portfolio. For example forward exchange contracts are used to hedge currency movements to remove their impact on international investment portfolio returns
- transactional efficiency - derivatives provide effective exposure to markets or individual securities while incurring transaction costs lower than the cost of purchasing the underlying security or basket of securities. In many instances the derivative markets provide much more liquidity than the underlying physical market

Note 24 Risk management (continued)

(d) Financial risk (continued)

- value added strategies - given their low cost and high liquidity, derivatives can be an efficient way of taking active portfolio positions. As there can also be pricing anomalies between derivatives and underlying physical securities there can be opportunities to take advantage of different pricing.

Derivative exposures are subject to the same restrictions as physical assets within each portfolio's investment guidelines. Derivatives also need to comply with the fund managers risk management policies and RTWSA's Derivatives Policy and Fund Manager Guidelines. Where there is inconsistency, RTWSA's Fund Manager Guidelines will take precedence. Additionally no gearing or leverage is allowed from derivative positions with all net long derivative exposures covered by cash or cash equivalent securities.

The use of derivatives is restricted to appropriately credentialed counterparties. Unit trusts in which RTWSA invests may use derivative instruments appropriate to the investment markets in which they invest. The use of derivatives within the Unit Trusts in which RTWSA invests is approved and monitored by the responsible entity or trustee for the respective Unit Trust.

No single instrument is individually material to the future cash flows of RTWSA. RTWSA does not consider that the nature and extent of the use of derivatives warrants separate disclosure of individual contracts. RTWSA, through its separate account investment portfolios, uses derivative instruments as follows:

Forward exchange contracts

- RTWSA invests in global markets to access the risk reduction benefits of diversification. In order to protect against exchange rate movements for a portion of overseas exposures, RTWSA has entered into forward exchange contracts, which require settlement of the net gain or loss at maturity. For diversification purposes RTWSA intentionally maintains some un-hedged currency exposures
- the gain or loss on open contracts as at the reporting period has been taken up in the financial statements as an unrealised gain or loss based on the exchange rate current as at the end of the reporting period
- the use of forward exchange contracts for speculative purposes is prohibited.

Credit risk - investments

Credit risk is the risk of financial loss to RTWSA if a premium payer, other debtor or counterparty to a financial instrument fails to meet their contractual obligations.

RTWSA manages its exposure to credit risk related to fixed interest and cash investments through its Investment Strategy and Investment Guidelines and Investment Credit Limits documents. Credit exposures are monitored against approved limits with breaches corrected and notified to the Board Investment and Finance Committee.

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Note 24 Risk management (continued)

(d) Financial risk (continued)

The following tables outline RTWSA's credit risk exposure within the major debt securities asset classes as at balance date.

As at 30 June 2017:

	Short-term issue ratings*				Long-term issue ratings**				Not Rated***	Total
	A1+	A1	A2	AAA	AA	A	BBB	BB/B		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	117,590	10,029	-	-	-	-	-	-	-	127,619
Fixed interest	3,897	-	-	225,911	71,436	20,146	6,170	-	(353)	327,207
Inflation linked securities	175,822	24,033	-	333,222	20,956	32,631	11,144	-	-	597,808
Alternative income	45,885	17,598	22	27,928	48,916	97,284	132,309	7,801	7,198	384,941
	343,194	51,660	22	587,061	141,308	150,061	149,623	7,801	6,845	1,437,575

As at 30 June 2016:

	Short-term issue ratings*				Long-term issue ratings**				Not rated***	Total
	A1+	A1	A2	AAA	AA	A	BBB	BB/B		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	71,962	5,006	5,044	-	-	-	-	-	-	82,012
Fixed interest	10,932	-	-	252,078	73,958	21,843	6,868	-	260	365,939
Inflation linked securities	199,640	24,053	-	287,585	15,953	29,876	11,493	-	-	568,600
Alternative income	46,806	-	-	23,180	43,308	99,776	110,628	6,733	4,501	334,932
	329,340	29,059	5,044	562,843	133,219	151,495	128,989	6,733	4,761	1,351,483

* Standard & Poor's short-term financial strength ratings apply for cash portfolio and short-term investments. A1+ is the highest short-term strength rating.

** Standard & Poor's long-term credit ratings. AAA is the highest possible long-term credit rating.

*** Not rated assets for this table are non-defensive assets and consist of cash or investments in a pooled fund which is benchmarked against the UBS Composite Index.

Credit risk - other financial assets

The only significant exposure to credit risk in relation to assets, other than investments, relates to trade receivables which include premiums due and payable from registered and self-insured employers and overpayment recoveries from employers, workers and providers. RTWSA is able to enforce the collection of debts due, under the Act or via restitution principles through a court of competent jurisdiction. RTWSA has processes in place to monitor all material credit exposures and has an established policy to manage debt recovery.

3.0% of RTWSA's trade receivables were past due greater than 30 days (2016: 0.0%). The ageing of RTWSA's trade receivables at the reporting date was:

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Note 24 Risk management (continued)

(d) Financial risk (continued)

	2017	2016
	\$'000	\$'000
Not past due	8,022	2,940
Past due 1-30 days	796	1,074
Past due 31-60 days	240	-
Past due 61 days to one year	33	1
Impaired	-	-
	9,091	4,015

There were no significant concentrations of credit risk.

Liquidity risk

Liquidity risk arises from the possibility that RTWSA will not be able to meet its financial obligations as they fall due. RTWSA's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to RTWSA's reputation. At least 20% of RTWSA's investments could be liquidated within seven business days if required.

Both the asset and liability liquidity risks are managed through management risk strategies. 80.5% (2016: 81.7%) of RTWSA's liabilities are non-current and consist predominately of estimates of payments of entitlements to workers compensation made over the long-term to individual claimants. RTWSA's asset allocation is such that if required it could be realisable as cash within a few months. Accordingly RTWSA considers that its short-term liquidity risks are minimal.

The table below outlines the maturity profile of certain financial liabilities based on the remaining undiscounted obligations. The maturity profiles of outstanding claims are outlined in notes 10 and 11.

As at 30 June 2017:

	1 year or less	1 to 3 years	3 to 5 years	Over 5 Years	No Term	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	18,625	731	-	-	-	19,356

As at 30 June 2016:

	1 year or less	1 to 3 years	3 to 5 years	Over 5 years	No Term	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	21,220	1,453	-	-	-	22,673

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect RTWSA's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

RTWSA is exposed to market risk primarily through:

- currency risk
- interest rate risk
- market price risk.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 24 Risk management (continued)

(d) Financial risk (continued)

Currency risk

RTWSA is directly exposed to currency risk on purchases and financial instruments that are denominated in a currency other than Australian dollars. RTWSA uses forward exchange contracts for a portion of its international investments to hedge its exposure to foreign currency fluctuations. All overseas bond securities, overseas listed property and overseas infrastructure are covered by forward exchange contracts. Approximately 40% of the international equity securities are covered by forward exchange contracts, whilst remaining equities are left intentionally exposed to exchange rate movements. The changes in the valuations of these open contracts are disclosed in the financial statements as unrealised gains or losses as at the reporting period.

The analysis below demonstrates the impact on profit and equity of a movement in foreign exchange rates against the Australian dollar on our material un-hedged major currency exposures. This analysis is based on foreign currency exchange rate variances that RTWSA considered to be reasonably possible at the reporting date and assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss		Equity	
	Strengthening \$'000	Weakening \$'000	Strengthening \$'000	Weakening \$'000
30 June 2017				
US Dollar (10% movement)	(15,943)	15,943	(15,943)	15,943
Euro (10% movement)	(3,234)	3,234	(3,234)	3,234
Sterling (10% movement)	(1,760)	1,760	(1,760)	1,760
JPY (10% movement)	(2,293)	2,293	(2,293)	2,293
Other (10% movement)	(11,633)	11,633	(11,633)	11,633
30 June 2016				
US Dollar (10% movement)	(16,024)	16,024	(16,024)	16,024
Euro (10% movement)	(3,061)	3,061	(3,061)	3,061
Sterling (10% movement)	(1,848)	1,848	(1,848)	1,848
JPY (10% movement)	(2,253)	2,253	(2,253)	2,253
Other (10% movement)	(10,189)	10,189	(10,189)	10,189

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. Fixed interest securities are exposed to changes in fair value due to fluctuating interest rates whilst floating rate securities are exposed to future cash flow variations as a result of changes to interest rates. The risk management approach adopted by RTWSA to manage such risks is through its asset allocation whereby a mixture of high credit rated and readily liquidated fixed interest securities are held in conjunction with short-term deposits and cash to achieve the desired level of interest rate risk exposure.

RTWSA's fixed interest investments are held predominately in domestic markets. Such holdings form part of RTWSA's defensive or low risk exposure to provide capital stability and secure income. RTWSA's investments in interest bearing securities consist of marketable securities which are not held for trading.

RTWSA's sensitivity to movements in interest rates in relation to the value of interest bearing investments is shown in the table below. This analysis is based on interest rate variances that RTWSA considered to be reasonably possible at the reporting date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 24 Risk management (continued)

(d) Financial risk (continued)

	Profit or loss		Equity	
	Strengthening \$'000	Weakening \$'000	Strengthening \$'000	Weakening \$'000
1% interest rate movement - interest bearing investments				
2017	(54,965)	54,965	(54,965)	54,965
2016	(46,567)	46,567	(46,567)	46,567

Market price risk

Market price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market pricing (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual instrument or its issuer (idiosyncratic risk), or factors affecting all similar financial instruments traded in the market (systematic risk).

RTWSA is exposed to market price risk in all asset groups with the highest systematic risk in listed securities. These investments consist of investments listed on the Australian Stock Exchange and other major international exchanges (excluding listed debt). The market price risk in all other asset groups is considered less significant.

RTWSA manages its exposure to market price risk through the adoption of a longer-term investment strategy based on extensive modelling of the expected return, volatility and correlation of each asset category included in the investment program to maximise returns for a given level of risk. By diversifying investments across a number of lowly correlated markets the volatility of the aggregate investment return is moderated over time.

The potential impact of movements in the market value of Australian and overseas listed equities asset groups on RTWSA's Statement of Comprehensive Income and Statement of Financial Position is shown in the sensitivity analysis below. The calculation excludes the impact from currency risk. Industry standard categorisations have been adopted for RTWSA's equity exposures.

	Profit or loss		Equity	
	Strengthening \$'000	Weakening \$'000	Strengthening \$'000	Weakening \$'000
Listed Securities				
30 June 2017				
Domestic equities - (20% movement)	55,904	(55,904)	55,904	(55,904)
International equities - (20% movement)	115,171	(115,171)	115,171	(115,171)
Listed property - (20% movement)	17,199	(17,199)	17,199	(17,199)
Listed infrastructure - (20% movement)	30,784	(30,784)	30,784	(30,784)
30 June 2016				
Domestic equities - (20% movement)	58,160	(58,160)	58,160	(58,160)
International equities - (20% movement)	108,456	(108,456)	108,456	(108,456)
Listed property - (20% movement)	22,027	(22,027)	22,027	(22,027)
Listed infrastructure - (20% movement)	31,615	(31,615)	31,615	(31,615)

Fair value measurements

The fair value of financial assets must be estimated for recognition and measurement or for disclosure purposes.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 24 Risk management (continued)

(d) Financial risk (continued)

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements 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)

The following tables present RTWSA's investments measured and recognised at fair value. There have been no transfers between levels during the period.

At 30 June 2017:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Deposits with financial institutions	410,886	-	-	410,886
Government / semi-government securities	559,009	-	-	559,009
Non-government debt instruments	345,602	-	-	345,602
Securities listed on the Australian Stock Exchange	294,932	-	-	294,932
Securities listed on overseas stock exchanges	788,203	-	-	788,203
Unit Trusts – unlisted property and debt security assets	136,854	275,539	-	412,393
Unit Trusts - unlisted infrastructure	-	-	169,791	169,791
Derivatives	-	10,610	-	10,610
Total investments at fair value through profit and loss	2,535,486	286,149	169,791	2,991,426

At 30 June 2016:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Deposits with financial institutions	376,762	-	-	376,762
Government / semi-government securities	536,587	-	-	536,587
Non-government debt instruments	450,899	-	-	450,899
Securities listed on the Australian Stock Exchange	306,237	-	-	306,237
Securities listed on overseas stock exchanges	778,068	-	-	778,068
Unit Trusts – unlisted property and debt security assets	-	235,605	-	235,605
Unit Trusts - unlisted infrastructure	-	-	51,549	51,549
Derivatives	-	13,969	-	13,969
Total investments at fair value through profit and loss	2,448,553	249,574	51,549	2,749,676

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 24 Risk management (continued)

(d) Financial risk (continued)

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date with the resulting value discounted back to present value
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in level 2 except for unlisted infrastructure assets.

The following table presents the changes in level 3 instruments for the years ended 30 June 2017 and 2016:

	Financial year ended 30 June 2017 \$'000	Financial year ended 30 June 2016 \$'000
Unit Trusts - unlisted infrastructure and debt security		
Opening balance	51,549	28,323
Contributions	116,315	20,488
Withdrawals	(12,670)	-
Gains recognised in investment profit	14,597	2,738
Closing balance	169,791	51,549

Note 25 Remuneration of board and committee members

Members during the financial year ended 30 June 2017 were:

Member	Appointed / Resigned	Board	Investment and Finance Committee	Audit and Risk Committee	Human Resources Committee
Ms. J Yuile		Chair	-	-	Member
Ms. J Denley		Member	-	Member	Chair
Dr. W Griggs		Member	Member	-	Member
Mr. C Latham		Member	Chair	-	-
Mr. N McBride		Member	-	Member	-
Ms. Y Sneddon		Member	-	Chair	-
Mr. J Szakács		Member	Member	-	-

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

	2017	2016
\$10,000 - \$19,999	-	1
\$20,000 - \$29,999	-	1
\$60,000 - \$69,999	6	5
\$100,000 - \$109,999	1	1

The total remuneration received and receivable by board members was \$472,000 (2016: \$450,000) which includes superannuation contributions

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 25 Remuneration of board and committee members (continued)

The Ministers Advisory Committee is established under the Return to Work Act 2014 and gives advice direct to the Minister. The members remuneration paid/payable was \$60,000 (2016: \$81,000). Members during the 2017 financial year were: M Atchison (presiding member), D Blairs, P Dean, S Hall, A Moeller, S Myatt, J Wilson. H Treloar resigned on 8 December 2016, E Dabars resigned on 4 April 2017. E Van Der Linden was appointed on 2 February 2017.

Remuneration for this committee is not included in the board and committee remuneration table.

Note 26 Related party transactions

RTWSA is a statutory authority and is wholly owned and controlled by the South Australian Government.

Related parties of RTWSA 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.

(a) Key management personnel

Key leadership personnel RTWSA include the Minister, Board members, the Chief Executive Officer and members of the Executive Team who have responsibility for the strategic direction and management of RTWSA. The compensation detailed below excludes salaries and other benefits the Minister 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.

(b) Key management personnel compensation

	2017 \$'000
Short-term employee benefits	2,246
Post-employment benefits	212
Total	<u>2,458</u>

Note 27 Commitments

RTWSA has entered into agreements to lease office accommodation and motor vehicles for terms in excess of one year. The aggregate non-cancellable lease commitments not provided for in the financial statements, were as follows:

	Office Leases \$'000	Motor Vehicles \$'000	2017 Total \$'000	Office Leases \$'000	Motor Vehicles \$'000	2016 Total \$'000
Within one year	2,317	159	2,476	2,409	179	2,588
Later than one year but not longer than five years	10,106	173	10,279	9,715	183	9,898
Later than five years	-	-	-	2,676	-	2,676
	<u>12,423</u>	<u>332</u>	<u>12,755</u>	<u>14,800</u>	<u>362</u>	<u>15,162</u>

A Memorandum of Understanding is in place between RTWSA and the Department of Planning, Transport and Infrastructure on behalf of the Minister for Transport and Infrastructure, regarding the lease of office space at 400 King William Street Adelaide.

RTWSA leases motor vehicles under non-cancellable operating leases expiring from between one to three years.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 28 Employer financial guarantees

Under section 129 of the Act, RTWSA administers financial guarantees lodged by self-insured employers. As at 30 June 2017, RTWSA held security to the value of \$340.3 million in financial guarantees or other approved substituted financial securities, for self-insured employers. These guarantees are held in the event of a self-insured employer no longer being able to meet its claim liabilities.

Under the terms of the retro paid loss contracts, RTWSA administers financial guarantees lodged by retro paid loss employers. As at 30 June 2017, RTWSA held security to the value of \$69.1 million in financial guarantees for retro paid loss employers. These guarantees are held in the event of a retro paid loss employer no longer being able to meet its premium liability.

Note 29 Self-Insured Insolvency Contribution Aggregate

The Act requires fees paid by self-insured employers to include a fair contribution towards the actual and prospective liabilities of RTWSA arising from the insolvency of self-insured employers and other liabilities of the RTWSA as an insurer of last resort. The Self-Insured Insolvency Contribution Aggregate ("SIICA") is a pooled fund representing contribution fees received over time less any amounts paid by RTWSA as a result of the insolvency of a self-insured employer in excess of a financial guarantee held by RTWSA plus notional attributed interest (calculated by applying the Reserve Bank of Australia cash rate to the balance as at 30 June each year). The SIICA balance as at 30 June 2017 is \$52.3 million.

Note 30 Contingent liabilities

The normal course of business may generate exposure to contingent liabilities in relation to claims litigation for the four RTWSA funds. The result of such litigation may result in a liability to RTWSA different to that recognised in the financial statements.

Provisions are made in outstanding claims for obligations that are probable and quantifiable.

There are no individually significant amounts not provided for or that are considered likely to have a material impact on net liabilities.

Note 31 Transactions with SA Government

The table below details the transactions with SA Government departments and agencies, excluding tax equivalents, for the financial years ending 30 June 2017 and 2016.

	2017 Revenue \$'000	2017 Expenses \$'000	2017 Assets \$'000	2017 Liabilities \$'000
SA Government	5,573	19,588	-	3,166
	2016 Revenue \$'000	2016 Expenses \$'000	2016 Assets \$'000	2016 Liabilities \$'000
SA Government	5,403	22,156	-	4,337

Transactions with SA Government entities below the threshold of \$100,000 have not been included.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2017

Note 31 Transactions with SA Government (continued)

Administered items

The Work Health and Safety Act 2012 requires employers to register with Safework SA and make payments in the form of fees. The registration and collection of these fees is administered by RTWSA for SafeWork SA in conjunction with the registration of employers under the Act. RTWSA pays these funds to SafeWork SA whilst retaining a portion of the funds to cover administration costs.

RTWSA only recognises transactions from activities that it controls. It is considered that except for the portion of funds retained by RTWSA to cover administration costs, RTWSA does not control the funds that it collects on behalf of SafeWork SA. Therefore, RTWSA does not recognise the fees collected and subsequent payments made in relation to SafeWork SA in its Statement of Comprehensive Income or Statement of Financial Position.

Administered Items for the financial year ending 30 June 2017:

	2017 Revenue \$'000	2017 Expenses \$'000	2017 Assets \$'000	2017 Liabilities \$'000
Administered items	20,105	19,546	-	2,096

Administered Items for the financial year ending 30 June 2016:

	2016 Revenue \$'000	2016 Expenses \$'000	2016 Assets \$'000	2016 Liabilities \$'000
Administered items	19,845	19,068	-	1,537

Note 32 Events after the reporting period

There have been no events after the reporting period which would have a material effect on RTWSA's financial statements at 30 June 2017.

ReturnToWorkSA

Certificate under section 23(2) of the Public Finance and Audit Act 1987

30 June 2017

In our opinion the attached general purpose financial statements for the Return to Work Corporation of South Australia:

- comply with relevant Treasurer's instructions issued under section 41 of the Public Finance and Audit Act 1987, and comply with relevant accounting standards;
- are in accordance with the accounts and records of the Return to Work Corporation of South Australia; and
- present a true and fair view of the financial position of the Return to Work Corporation of South Australia as at 30 June 2017 and the results of its operation and cash flows for the financial year.

In our opinion the internal controls employed by the Return to Work Corporation of South Australia for the financial year over its financial reporting and the preparation of these general purpose financial statements have been sufficiently effective to enable the presentation of financial statements that are free from material misstatement.



J. Yuille

Chair



R. Cordiner

Chief Executive Officer



D. Quirk

Chief Financial Officer

// September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chair of the Board of Management Return to Work Corporation of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 19 of the *Return to Work Corporation of South Australia Act 1994*, I have audited the financial report of the Return to Work Corporation 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 Return to Work Corporation 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 to and forming part of the financial statements
- a Certificate from the Chair, the Chief Executive Officer and the Chief Financial Officer.

Inherent uncertainty – outstanding claims liability and funding ratio

Without qualification to the opinion expressed above, attention is drawn to notes 4, 10 and 11 of the financial report.

There is significant uncertainty surrounding the financial impact of legislative reforms which will only become clearer as outstanding claims experience emerges in future financial periods. If in future years the actual costs of claims described in notes 10 and 11 are greater than the balances recorded in the financial statements, this will adversely impact the funding ratio described in note 7.

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 Return to Work Corporation 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 Officer and members of the Board 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 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 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.



Andrew Richardson

Auditor-General

14 September 2017

SA Ambulance Service Inc

Financial report
for the year ended
30 June 2017

SA AMBULANCE SERVICE INC
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Staff benefit expenses	4	193,634	173,420
Supplies and services	5	71,405	64,422
Depreciation and amortisation expense	6	10,657	10,503
Grants and subsidies	7	700	-
Bad and doubtful debts	18	17,992	16,295
Other expenses	8	1,493	1,450
Total expenses		295,881	266,090
Income			
Revenue from fees and charges	9	125,890	125,189
Grants and contributions	10	6,744	1,000
Interest revenue	11	46	56
Resources received free of charge	12	-	4,271
Net gain from disposal of non-current and other assets	13	241	378
Other revenue	14	2,237	2,659
Total income		135,158	133,553
Net cost of providing services		160,723	132,537
Revenue from SA Government			
Revenue from SA Government	15	149,449	127,992
Total revenue from SA Government		149,449	127,992
Net result		(11,274)	(4,545)
Other comprehensive income			
Items that will be reclassified subsequently to net result when specific conditions are met			
Gains or losses recognised directly in equity		39,893	(28,689)
Total comprehensive result		28,619	(33,234)

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.

SA AMBULANCE SERVICE INC
STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	2017 \$ '000	2016 \$ '000
Current assets			
Cash and cash equivalents	17	10,126	19,631
Receivables	18	26,380	20,838
Inventories	19	301	272
Other assets		13	4
Total current assets		36,820	40,745
Non-current assets			
Receivables	18	1,840	1,577
Property, plant and equipment	20	94,558	82,642
Intangible assets	21	761	1,845
Total non-current assets		97,159	86,064
Total assets		133,979	126,809
Current liabilities			
Payables	23	10,608	6,002
Staff benefits	24	45,904	38,654
Provisions	25	4,251	3,439
Other liabilities	26	1,833	699
Total current liabilities		62,596	48,794
Non-current liabilities			
Payables	23	2,007	2,360
Staff benefits	24	45,837	81,533
Provisions	25	5,467	4,669
Total non-current liabilities		53,311	88,562
Total liabilities		115,907	137,356
Net assets		18,072	(10,547)
Equity			
Asset revaluation surplus		12,058	12,058
Other reserves		43,442	8,305
Retained earnings		(37,428)	(30,910)
Total equity		18,072	(10,547)

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments 27

Contingent assets and liabilities 30

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

SA AMBULANCE SERVICE INC
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2017

	Note	Asset revaluation surplus \$ '000	Other reserves \$ '000	Retained earnings \$ '000	Total equity \$ '000
Balance at 30 June 2015		12,058	36,994	(25,891)	23,161
Net result for 2015-16		-	-	(4,545)	(4,545)
Loss on revaluation of Defined Benefit Fund Liability		-	(28,689)	-	(28,689)
Total comprehensive result for 2015-16		-	(28,689)	(4,545)	(33,234)
Transactions with SA Government as owner					
Net assets received from an administrative restructure	29	-	-	(474)	(474)
Balance at 30 June 2016		12,058	8,305	(30,910)	(10,547)
Total comprehensive result for 2016-17		-	-	(11,274)	(11,274)
Transfer between equity components	2.11	-	(4,756)	4,756	-
Transactions with SA Government as owner					
Gain on revaluation of Defined Benefit Fund Liability		-	39,893	-	39,893
Balance at 30 June 2017		12,058	43,442	(37,428)	18,072

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

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

SA AMBULANCE SERVICE INC
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		(181,396)	(156,439)
Payments for supplies and services		(71,331)	(68,788)
Payments for paid parental leave scheme		(424)	(408)
Other payments		(1,563)	(1,514)
Cash used in operations		(254,714)	(227,149)
Cash inflows			
Fees and charges		103,233	105,740
Grants and contributions		6,776	1,000
Interest received		46	56
GST recovered		3,454	2,462
Receipts for paid parental leave scheme		410	425
Other receipts		3,508	2,510
Cash generated from operations		117,427	112,193
Cash flows from SA Government			
Receipts from SA Government		138,443	126,996
Cash generated from SA Government		138,443	126,996
Net cash provided by / (used in) operating activities		1,156	12,040
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(11,061)	(12,417)
Cash used in investing activities		(11,061)	(12,417)
Cash inflows			
Proceeds from sale of property, plant and equipment		400	383
Cash generated from investing activities		400	383
Net cash provided by/(used in) investing activities		(10,661)	(12,034)
Net increase/(decrease) in cash and cash equivalents		(9,505)	6
Cash and cash equivalents at the beginning of the period		19,631	19,625
Cash and cash equivalents at the end of the period	31	10,126	19,631
Non-cash transactions	31		

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

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

1 Objectives of SA Ambulance Service Inc

SA Ambulance Service Inc (SAAS) is committed to save lives, reduce suffering and enhance quality of life, through the provision of accessible and responsive quality patient care and transport.

SAAS is the principal provider of ambulance services in South Australia, is part of SA Health and is responsible to the Minister for Health, Minister for Mental Health and Substance Abuse and the Minister for Ageing.

SAAS works in partnership with their health and emergency service colleagues, and other government agencies to ensure the best outcomes for all South Australians.

SAAS is structured to contribute to the outcomes for which the portfolio is responsible by providing pre-hospital medical emergency care and patient transport.

The Chief Executive Officer administers and manages SAAS 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 SA Ambulance Service Volunteer Health Advisory Council (SAASVHAC) was established pursuant to the *Health Care Act 2008*. The role of the Council is to provide advice and advocacy on SAAS volunteer related matters to the Minister for Health and Ageing and the Chief Executive Officer and management of SAAS. The Council has no powers to direct or make decisions with respect to the management and administration of SAAS.

1.1 Reporting entity

SAAS was incorporated under the *Associations Incorporation Act 1985* on 1 July 1993 under the name SA St John Ambulance Service Incorporated. The service continued in existence with the name SA Ambulance Service Incorporated under the *Ambulance Services Act 1992* until it was repealed on 10 April 2008. From this date the service has continued under the *Health Care Act 2008*.

SAAS's financial statements includes the operations of the SA Ambulance Development Fund. This fund is a Charitable Trust administered by SAAS pursuant to a Declaration of Trust. The fund receives donations, gifts and bequests from the public which are applied by the Trustee to improve the services offered by SAAS. The funds cannot be used for the day to day operating expenses of SAAS.

The financial statements and accompanying notes include all the controlled activities of SAAS.

SAAS does not control any other entity and has no interests in unconsolidated structured entities.

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*.

SAAS has applied Australian Accounting Standards that are applicable to not-for-profit entities, as SAAS 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 SAAS'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;

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

The 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

SAAS is not subject to income tax. SAAS 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, SAAS had working capital deficiency of \$25.776 million (\$8.049 million deficiency). The SA Government is committed and has consistently demonstrated a commitment to the ongoing funding of SAAS 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.

SAAS 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

SAAS 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.

SAAS 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 SAAS 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	Life of lease
Plant and equipment:	
• Medical, surgical, dental and biomedical equipment and furniture	5 - 15
• Computing equipment and software	3 - 5
• Vehicles	2 - 25
• 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).

SAAS revalues all land, buildings and site improvements triennially via a Certified Practising Valuer. A triennial revaluation of other non-current assets by a Certified Practising Valuer is only performed when the assets fair value at the time of acquisition is greater than \$1 million, and the estimated useful life exceeds three years.

If at any time, management considers that the carrying amount of an asset greater than \$1 million materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

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.

d. Impairment

SAAS 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 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 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.

SAAS 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, SAAS 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).

SAAS's current use is the highest and best use of the asset unless other factors suggest an alternative use. As SAAS 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.

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*.

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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.

Superannuation funds

A significant number of SAAS's staff are members of the SA Ambulance Service Superannuation Scheme (the "Scheme"). These staff are eligible to receive a benefit from the Scheme. A benefit is payable on retirement, death, disablement or leaving SAAS, in accordance with the Scheme's trust deed and rules. The Scheme provides lump sum benefits based on a combination of defined benefits which depend on years of service and final salary and accumulation benefits which depend on the accumulation of member and employer contributions adjusted for appropriate earnings and expenses. The liability for this Scheme has been determined via an actuarial valuation by Mercer Investment Nominees Limited using the projected unit credit method. The South Australian Superannuation Board was appointed Trustee of the Scheme effective 1 July 2006. The Scheme was closed to new members as at 30 June 2008. From 1 July 2008 new staff join an accumulative Triple S Scheme.

The defined benefit liability has been recognised in the Statement of Financial Position in accordance with AASB 119. The expected payment to settle the obligation has been determined using national government bond market yields with terms and conditions that match, as closely as possible, to estimated cash outflows. Refer to Note 24.

Actuarial gains and losses are recognised in other comprehensive income in the Statement of Comprehensive Income, in the period in which they occur. The superannuation expense comprising interest cost and other costs of the defined benefit plan is measured in accordance with AASB 119 and is recognised as and when contributions fall due.

For a small proportion of the workforce, SAAS pays its contributions in accordance with the relevant award or contracts of employment to other nominated Superannuation funds in compliance with the superannuation guarantee legislation. Contributions are charged as expenditure as they are made. Members are not required to make contributions to these funds.

2.11 Equity

SAAS 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.

Other reserves includes Branch Reserves, Country Capital Reserves and Defined Benefit Fund Remeasurement.

During the 2016-17 financial year \$4.756 million was transferred from the Country Capital Reserves to retained earnings to deliver the stretcher program.

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3 New and revised accounting standards and policies

SAAS 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 SAAS for the period ending 30 June 2017. SAAS 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 SAAS, except as outlined below.

Reference	Title and date of Standard application	Summary	Impact on financial statements	Application date for SAAS
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 Construction Contracts and AASB 118 Revenue. 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
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 require SAAS to record almost all operating leases arrangements on the Statement of Financial Position. There will be significant work for SAAS to report these assets and liabilities due to the large scale of its leasing activities. SAAS 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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AASB 1058	<i>Income of Not-for-Profit Entities</i>	This standard clarifies and simplifies the income recognition requirements that apply to not-for-profit entities in conjunction with AASB 15.	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.	1 July 2019
	1 January 2019	AASB 15 and 1058 will supersede the majority of income recognition requirements relating to public sector not-for-profit entities, previously in AASB 1004.	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.	
		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.		

4 Staff benefit expenses

	2017	2016
	\$'000	\$'000
Salaries and wages	143,977	122,172
TVSP (refer below)	-	42
Long service leave (LSL)	2,919	11,314
Annual leave	19,485	17,034
Skills and experience retention leave (SERL)	1,009	505
Staff on-costs - superannuation	20,673	17,810
Workers compensation	5,415	4,162
Board and committee fees	13	10
Other staff related expenses	143	371
Total staff benefit expenses	193,634	173,420

* The superannuation employment on-cost charge represents SAAS's contribution to superannuation plans in respect of current services of SAAS's current employees. The Department of Treasury and Finance (DTF) centrally recognises the superannuation liability in the whole-of-government financial statements except for SAAS staff who are members of the SAAS defined benefit scheme.

Expenses recognised in profit and loss for SAAS in respect of the defined benefit scheme was \$11.963 million (\$9.665 million), comprising current service cost of \$9.070 million (\$9.033 million) and interest cost of \$0.525 million (\$0.632 million).

	2017	2016
	\$'000	\$'000
Targeted voluntary separation packages (TVSPs)		
Amount paid during the reporting period to separated staff:		
TVSPs	-	42
Annual leave, LSL and SERL paid to those employees	-	25
Net cost to SAAS	-	67
Number of staff who received a TVSP during the reporting period	-	1

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Remuneration of staff

	2017	2016
The number of staff whose remuneration received or receivable falls within the following bands:	No.	No.
\$145,000 - \$147,000*	na	16
\$147,001 - \$157,000	108	77
\$157,001 - \$167,000	78	51
\$167,001 - \$177,000	65	53
\$177,001 - \$187,000	47	38
\$187,001 - \$197,000	49	27
\$197,001 - \$207,000	39	15
\$207,001 - \$217,000	27	7
\$217,001 - \$227,000	25	8
\$227,001 - \$237,000	16	3
\$237,001 - \$247,000	8	2
\$247,001 - \$257,000	7	-
\$257,001 - \$267,000	1	-
\$267,001 - \$277,000	1	-
\$277,001 - \$287,000	2	-
\$297,001 - \$307,000	1	-
\$317,001 - \$327,000	1	-
Total	475	297

* 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
Executive remuneration	9	1,906	9	1,743
Operational remuneration*	465	84,431	286	48,951
Non-medical (i.e. administration) remuneration	1	148	2	298
Total	475	86,485	297	50,992

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.

*For 2016-17 includes 120 staff members who received remuneration for backpay from the latest EB agreement that otherwise would not have exceeded the reporting threshold.

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5 Supplies and services

	2017	2016
	\$'000	\$'000
Administration	280	245
Advertising	299	371
Communication	3,013	2,797
Computing	2,546	2,331
Contractors	132	17
Contractors - agency staff	16,069	14,576
Consultants	566	397
Contract of services	257	201
Cost of goods sold	369	188
Drug supplies	473	413
Electricity, gas and fuel	722	733
Finance lease contingent rentals	-	3
Food supplies	49	46
Housekeeping	1,848	1,822
Insurance	1,527	1,495
Internal SA Health SLA payments	1,879	1,835
Legal	127	70
Medical, surgical and laboratory supplies	3,807	3,450
Minor equipment	1,194	785
Motor vehicle expenses	4,956	3,753
Occupancy rent and rates	2,214	2,120
Patient transport	16,511	14,977
Payments to Shared Services SA	1,901	1,875
Postage	741	671
Printing and stationery	823	760
Rental expense on operating lease	1,731	1,534
Repairs and maintenance	1,711	1,745
Security	16	12
Staff training and development	546	406
Staff travel expenses	2,428	2,560
Other supplies and services	2,670	2,234
Total supplies and services	71,405	64,422

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 SAAS's operations are managed as part of the State Government Insurance Program. SAAS 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 SAAS'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	14	2	7
Above \$10,000	6	552	7	390
Total paid/payable to consultants engaged	9	566	9	397

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6 Depreciation and amortisation expense

	2017	2016
	\$'000	\$'000
Buildings and improvements	1,454	1,368
Medical, surgical, dental and biomedical equipment	1,665	1,296
Other plant and equipment	5,923	6,308
Leasehold improvements	531	441
Intangible assets	1,084	1,090
Total depreciation and amortisation	10,657	10,503

7 Grants and subsidies

	2017	2016
	\$'000	\$'000
Funding to non-government organisations	700	-
Total grants and subsidies	700	-

In 2017 a one-off grant was given to the Nganampa Health Council Inc to enable that council to procure seven fully equipped ambulance vehicles to meet the needs of first responder emergency response capability on the APY lands.

8 Other expenses

	2017	2016
	\$'000	\$'000
Bank fees and charges	61	48
Other*	1,432	1,402
Total other expenses	1,493	1,450

*Audit fees paid or payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$0.099 million (\$0.100 million) for SAAS. No other services were provided by the Auditor-General's Department.

9 Revenue from fees and charges

	2017	2016
	\$'000	\$'000
Ambulance cover	24,679	24,440
Ambulance transport*	93,195	94,025
Call direct	1,195	1,177
Recoveries	3,992	3,398
Other user charges and fees	2,829	2,149
Total fees and charges	125,890	125,189

* From 1 July 2016, the Motor Accident Commission (MAC) ceased its role as sole provider of Compulsory Third Party (CTP) Insurance and no longer provide the \$5.3 million of funding for ambulance services. The CTP department established under the Department of Treasury and Finance now provide the \$5.3 million funding (see Note 10).

Ambulance cover revenue

SAAS operates the Ambulance cover scheme whereby members pay a subscription to cover themselves against the cost of ambulance transport. Ambulance cover revenue is brought to account as services are provided.

Ambulance transport revenue

Ambulance transport revenue comprises revenue earned from the provision of patient transport, and is recognised when the service is provided or when the fee in respect of services provided is receivable.

Call direct revenue

Call Direct revenue comprises the sale of alarm monitoring units, accessories and monitoring income. Units and accessories revenue are recognised at point of sale. Monitoring income is brought to account as services are provided.

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	2017	2016
	\$'000	\$'000
Ambulance transport		
Fees raised	193,811	189,874
Less:		
Ambulance cover concessions	58,436	55,627
Pensioner concessions	42,180	40,222
Ambulance transport	93,195	94,025

10 Grants and contributions

	2017	2016
	\$'000	\$'000
Other SA Government grants and contributions*	6,300	1,000
Private sector grants and contributions	444	-
Total grants and contributions	6,744	1,000

Contributions are recognised as an asset and income when SAAS 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.

* Includes \$5.3 million of Compulsary Third Party Insurance monies. In previous financial years this funding has been received from the Motor Accident Commission and has been recognised as Ambulance transport revenue under Note 9 Revenue from fees and charges.

11 Interest revenue

	2017	2016
	\$'000	\$'000
Bank interest	-	1
Interest on Special Purpose Funds (SPF)	46	55
Total interest revenue	46	56

12 Resources received free of charge

	2017	2016
	\$'000	\$'000
Plant and equipment	-	4,271
Total resources received free of charge	-	4,271

Resources received free of charge include property, plant and equipment and are recorded at their fair value.

Contribution of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

13 Net gain/(loss) from disposal of non-current and other assets

	2017	2016
	\$'000	\$'000
Land and buildings:		
Net book value of assets disposed	(47)	-
Net gain/(loss) from disposal of land and buildings	(47)	-
Plant and equipment:		
Proceeds from disposal	411	438
Less net book value of assets disposed	(112)	(5)
Less other costs of disposal	(11)	(55)
Net gain/(loss) from disposal of plant and equipment	288	378
Total assets:		
Total proceeds from disposal	411	438
Less total value of assets disposed	(159)	(5)
Less other costs of disposal	(11)	(55)
Total net gain/(loss) from disposal of non-current and other assets	241	378

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Gains or losses on disposal are recognised at the date control of the asset is passed from SAAS 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.

14 Other revenues/income

	2017	2016
	\$'000	\$'000
Commissions revenue	4	-
Training revenue	450	448
Emergency services levy	1,351	1,318
Donations	71	502
Bad debts recovered	18	75
Other	343	316
Total other revenues	2,237	2,659

15 Revenue from SA Government

	2017	2016
	\$'000	\$'000
Recurrent funding	130,231	114,832
Capital funding	19,218	13,160
Total revenue from Department for Health and Ageing	149,449	127,992

The Department for Health and Ageing (DHA) provides recurrent and capital funding under a service level agreement to SAAS for the provision of general health services. Contributions from DHA are recognised as revenues when SAAS obtains control over the funding. Control over the funding is normally obtained upon receipt.

16 Unexpended funding commitments

SAAS is engaged in a variety of funding programs involving State Government and Private entities who provide monies to SAAS on the premise that these funds are expended in a manner consistent with the terms of the program. SAAS had outstanding funding commitments to the following programs:

	2017	2016
	\$'000	\$'000
Emergency Medical Education and Training Program	173	-
Total unexpended funding commitments	173	-

17 Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Cash at bank or on hand - non-government financial institutions	285	234
Deposits with Treasurer*	9,835	19,385
Imprest account/cash on hand	6	12
Total cash	10,126	19,631

Cash is measured at nominal amounts.

SAAS receives specific purpose funds from various sources including government, private sector and individuals. The amounts are controlled by SAAS, and are used to help achieve SAAS 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 SAAS.

Deposits with the Treasurer

SAAS operates through the Department's two deposit accounts held with the Treasurer, one general operating account and one special purpose deposit account. SAAS earns interest on the special deposit account and does not earn interest on the general operating account held with the Treasurer.

* Includes \$1.7 million of SA Ambulance Development Fund monies.

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18 Receivables

Current	Note	2017 \$'000	2016 \$'000
Patient/client fees			
Debtors		31,473	29,726
Less: allowance for doubtful debts	18.1	(19,395)	(16,980)
Prepayments		5,857	643
Sundry receivables and accrued revenue		6,077	5,742
GST recoverable		212	64
Workers compensation provision recoverable		2,156	1,643
Total current receivables		26,380	20,838
Non-current			
Debtors		52	51
Workers compensation provision recoverable		1,788	1,526
Total non-current receivables		1,840	1,577
Total receivables		28,220	22,415

18.1 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 \$'000	2016 \$'000
Movements in the allowance for doubtful debts (impairment loss)		
Carrying amount at the beginning of the period	16,980	13,544
Amounts written off	(15,577)	(12,859)
Amounts recovered during the year	(18)	(75)
Increase/(Decrease) in allowance recognised in the Statement of Comprehensive Income	18,010	16,370
Carrying amount at the end of the period	19,395	16,980

SAAS has recognised a bad and doubtful debt expense of \$17.992 million (\$16.295 million).

Due to the nature of ambulance operations, particularly Community Service Obligations, SAAS has a substantial number of doubtful debts for Ambulance Transport. The provision for doubtful debts is adjusted on a regular basis to ensure that it sufficiently covers the latest estimate of debts that may prove to be uncollectable.

Interest rate and credit risk

Receivables arise in the normal course of selling goods and services to other agencies and to the public. SAAS'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 SAAS 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 28 for further information on risk management.

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19 Inventories

	2017	2016
	\$'000	\$'000
Current - held for distribution		
Materials at cost:		
Inventory imprest stock	301	272
Total current inventories - held for distribution	301	272

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.

20 Property, plant and equipment

	2017	2016
	\$'000	\$'000
Land and buildings		
Land	19,284	17,432
Buildings and improvements	29,912	24,930
Accumulated depreciation - buildings and improvements	(3,023)	(1,569)
Buildings and improvements under construction (work in progress)	7,993	4,054
Total land, buildings and improvements	54,166	44,847
Leasehold improvements		
Leasehold improvements at fair value	13,479	13,338
Accumulated amortisation	(3,336)	(2,819)
Total leasehold improvements	10,143	10,519
Plant and equipment		
Medical, surgical, dental and biomedical equipment at cost (deemed fair value)	13,209	8,814
Accumulated depreciation - medical, surgical, dental and biomedical equipment	(4,768)	(3,234)
Other plant and equipment at cost (deemed fair value)	45,604	44,015
Accumulated depreciation - other plant and equipment	(30,496)	(28,314)
Plant and equipment under construction (work in progress)	6,700	5,995
Total plant and equipment	30,249	27,276
Total property, plant and equipment	94,558	82,642

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

Valuation of plant and equipment

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

SAAS'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.

21 Intangible assets

	2017	2016
	\$'000	\$'000
Computer Software	5,553	5,553
Accumulated amortisation - computer software	(4,792)	(3,708)
Total intangible assets	761	1,845

Impairment

There were no indications of impairment of intangible assets at 30 June 2017.

22 Fair Value Measurement

Fair Value Hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. SAAS 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 2	Level 3	Total	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements						
Land (Note 20)	19,284	-	19,284	17,432	-	17,432
Buildings (Note 20)	-	26,889	26,889	-	23,361	23,361
Leasehold improvements (Note 20)	-	10,143	10,143	-	10,519	10,519
Plant and equipment (Note 20)	-	23,549	23,549	-	21,281	21,281
Total recurring fair value measurements	19,284	60,581	79,865	17,432	55,161	72,593
Total	19,284	60,581	79,865	17,432	55,161	72,593

SAAS'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 20.

During 2017 and 2016, SAAS 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 Level 2 valuation inputs, 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.

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.

Although there were some buildings valued using Level 2 inputs, the fair value of these were immaterial in comparison to the whole class, therefore all buildings have been classified as Level 3.

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Reconciliation of property, plant and equipment and investment properties

The following table shows the movement

2016-17

	Land and buildings		Plant and equipment					
	Land \$'000	Buildings \$'000	Capital works in progress land and buildings \$'000	Leasehold improve- ments \$'000	Medical/ surgical/ dental/ biomedical equipment \$'000	Other plant and equipment \$'000	Capital works in progress plant and equipment \$'000	Total \$'000
Carrying amount at beginning of the period	17,432	23,361	4,054	10,519	5,580	15,701	5,995	82,642
Additions	1,852	-	8,342	-	4,586	31	6,856	21,667
Disposals	-	-	-	(47)	(60)	(52)	-	(159)
Transfers between asset classes	-	4,982	(4,384)	202	-	5,351	(6,151)	-
Other movements	-	-	(19)	-	-	-	-	(19)
Subtotal:	19,284	28,343	7,993	10,674	10,106	21,031	6,700	104,131
Gains/(losses) for the period recognised in net result:								
Depreciation and amortisation	-	(1,454)	-	(531)	(1,665)	(5,923)	-	(9,573)
Subtotal:	-	(1,454)	-	(531)	(1,665)	(5,923)	-	(9,573)
Carrying amount at the end of the period	19,284	26,889	7,993	10,143	8,441	15,108	6,700	94,558

All property, plant and equipment are classified in the level 3 fair value hierarchy except for Investment properties and land (classified as level 2) and capital works in progress (not classified).

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2015-16

	Land and buildings			Plant and equipment				Total \$'000
	Land \$'000	Buildings \$'000	Capital works in progress land and buildings \$'000	Leasehold improve- ments \$'000	Medical/ surgical/ dental/ biomedical equipment \$'000	Other plant and equipment \$'000	Capital works in progress plant and equipment \$'000	
Carrying amount at beginning of the period	17,432	22,262	570	10,960	2,455	16,163	5,530	75,372
Additions	-	-	5,951	-	103	129	6,234	12,417
Assets received free of charge	-	-	-	-	4,271	-	-	4,271
Disposals	-	-	-	-	-	(5)	-	(5)
Transfers between asset classes	-	2,467	(2,467)	-	47	5,722	(5,769)	-
Subtotal:	17,432	24,729	4,054	10,960	6,876	22,009	5,995	92,055
Gains/(losses) for the period recognised in net result:								
Depreciation and amortisation	-	(1,368)	-	(441)	(1,296)	(6,308)	-	(9,413)
Subtotal:	-	(1,368)	-	(441)	(1,296)	(6,308)	-	(9,413)
Carrying amount at the end of the period	17,432	23,361	4,054	10,519	5,580	15,701	5,995	82,642

All property, plant and equipment are classified in the level 3 fair value hierarchy except for Investment properties and land (classified as level 2) and capital works in progress (not classified).

SAAS received free of charge 251 MRx Defibrillators that were replaced during the year, under warranty.

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Reconciliation of intangibles

	2016-17	2015-16																				
	<table><tr><td>Computer software</td><td>Total</td></tr><tr><td>\$'000</td><td>\$'000</td></tr><tr><td>1,845</td><td>1,845</td></tr><tr><td>(1,084)</td><td>(1,084)</td></tr><tr><td>761</td><td>761</td></tr></table>	Computer software	Total	\$'000	\$'000	1,845	1,845	(1,084)	(1,084)	761	761	<table><tr><td>Computer software</td><td>Total</td></tr><tr><td>\$'000</td><td>\$'000</td></tr><tr><td>2,935</td><td>2,935</td></tr><tr><td>(1,090)</td><td>(1,090)</td></tr><tr><td>1,845</td><td>1,845</td></tr></table>	Computer software	Total	\$'000	\$'000	2,935	2,935	(1,090)	(1,090)	1,845	1,845
Computer software	Total																					
\$'000	\$'000																					
1,845	1,845																					
(1,084)	(1,084)																					
761	761																					
Computer software	Total																					
\$'000	\$'000																					
2,935	2,935																					
(1,090)	(1,090)																					
1,845	1,845																					
Carrying amount at beginning of the period																						
Depreciation and amortisation																						
Carrying amount at the end of the period																						

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23 Payables

	2017	2016
	\$'000	\$'000
Current		
Creditors and accrued expenses	7,536	3,269
Paid Parental Leave Scheme payable	4	17
Employment on-costs*	2,712	2,340
Other payables	356	376
Total current payables	10,608	6,002
Non-current		
Employment on-costs*	2,007	2,360
Total non-current payables	2,007	2,360
Total payables	12,615	8,362

*Employment on-costs include superannuation contributions. SAAS 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 by the Department of Treasury and Finance, the percentage of the proportion of long service leave taken as leave has decreased from the 2016 rate 51% to 48%. Further, Mercer Consulting (Australia) Pty Ltd has determined the average factor for the calculation of employer superannuation cost on-cost has also decreased from 13.75% in 2016 to 13.62%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is an decrease in the employment on-cost of \$0.444million and staff benefits expense of \$0.444 million. The estimated impact on 2018 and 2019 is \$0.460 million and \$0.476 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 SAAS.

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 SAAS has received from the Commonwealth Government to forward onto eligible staff via SAAS's standard payroll processes. That is, SAAS 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 28 for further information on risk management.

24 Staff benefits

	2017	2016
	\$'000	\$'000
Current		
Annual leave	23,886	20,226
Long service leave	2,499	2,479
Accrued salaries and wages	652	469
Skills and experience retention leave	1,253	800
Superannuation - defined benefit scheme	17,613	14,677
Other	1	3
Total current staff benefits	45,904	38,654
Non-current		
Long service leave	36,142	35,111
Superannuation - defined benefit scheme	9,695	46,422
Total non-current staff benefits	45,837	81,533
Total staff benefits	91,741	120,187

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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 which matches the expected term of the liabilities as the discount rate in the measurement of the long service leave liability.

The appropriate yield on long term Commonwealth Government bonds has increased from 2016 (2.05%) to 2017 (2.77%). 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 changes to actuarial assumptions in the current financial year is a decrease in the reported LSL liability of \$2.938 million and staff benefits expense of \$3.130 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 being the long-term discount rate.

As a result of the actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 3.00% for annual leave and skills, experience and retention leave liability. The salary inflation rate for long service leave liability decreased from 4.00% per annum to 3.50% per annum in 2017. The net financial effect of the change in salary inflation in the current financial year is a decrease in the LSL liability of \$1.972 million and staff benefit expense of \$2.101 million.

The defined benefit liability has been recognised in the Statement of Financial Position in accordance with AASB 119 and is held in SAAS.

Defined benefit superannuation scheme	2017	2016
Reconciliation of the present value of the defined benefit obligation:	\$'000	\$'000
Opening balance of defined benefit obligation	286,482	245,554
Current service cost	10,955	9,033
Interest cost	5,381	6,929
Contributions by scheme participants	5,251	5,806
Actuarial losses	(23,191)	28,003
Benefits paid	(10,488)	(7,371)
Taxes, premiums and expenses paid	(1,780)	(1,787)
Transfers in	588	315
Closing balance of defined benefit obligation	273,198	286,482
	2017	2016
Reconciliation of the fair value of scheme assets:	\$'000	\$'000
Opening balance of scheme assets	225,383	217,109
Interest Income	4,373	6,297
Actual return on Scheme assets less Interest Income	16,702	(686)
Contributions from the employer	5,861	5,700
Contributions by scheme participants	5,251	5,806
Benefits paid	(10,488)	(7,371)
Taxes, premiums and expenses paid	(1,780)	(1,787)
Transfers in	588	315
Closing balance of scheme assets	245,890	225,383

The amount included in the Statement of Financial Position arising from SAAS's obligations in respect of its defined benefit scheme is as follows:

Present value of defined benefit obligations	273,198	286,482
Fair value of scheme assets	(245,890)	(225,383)
Net liability arising from defined benefit obligations	27,308	61,099

Included in the Statement of Financial Position:

Current provision for employee benefits - defined benefit obligations	17,613	14,677
Non-current provision for employee benefits - defined benefit	9,695	46,422
Closing balance of defined benefit obligation	27,308	61,099

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	% invested by asset class	
	2017	2016
	%	%
Australian equity	29	28
International equity	21	20
Fixed income	27	35
Property	12	9
Alternatives/Other	8	-
Cash	3	8
Total	100	100

In accordance with the revised AASB 119 the discount rate assumption is used to determine interest income and the expected return on assets assumption is no longer used. The actual return on scheme assets was a gain of \$21.075 million (\$5.611 million). Employer contributions of \$5.631 million are expected to be paid to the scheme for the year ending 30 June 2018. Expected employer contributions reflect the current 12.00% of salary contributions.

	2017	2016
	% pa	% pa
Principal actuarial assumptions used (and expressed as weighted averages):		
Discount rate (Defined benefit cost)	2.1	3.1
Expected rate of salary increase (Defined benefit cost)	4.0	4.0
Discount rate (Defined benefit obligation)	2.7	2.1
Expected rate of salary increase (Defined benefit obligation)	3.5	4.0

	2017	2016
	\$'000	\$'000
Movement in net defined benefit liability		
Net defined benefit liability at start of year	61,099	28,445
Defined benefit cost	11,963	9,665
Remeasurements	(39,893)	28,689
Employer contributions	(5,861)	(5,700)
Net defined benefit liability at end of year	27,308	61,099

Sensitivity analysis

The defined benefit obligation as at 30 June 2017 under several scenarios is presented below.

Scenarios A and B relate to discount rate sensitivity. Scenarios C and D relate to salary increase rate sensitivity.

Scenario A: 0.5% p.a. lower discount rate assumption

Scenario B: 0.5% p.a. higher discount rate assumption

Scenario C: 0.5% p.a. lower salary increase rate assumption

Scenario D: 0.5% p.a. higher salary increase rate assumption

	Base Case	Scenario A	Scenario B	Scenario C	Scenario D
		-0.5% pa discount rate	+0.5% pa discount rate	-0.5% pa salary increase rate	+0.5% pa salary increase rate
Discount Rate	2.7%	2.2%	3.2%	2.7%	2.7%
Salary increase rate	3.5%	3.5%	3.5%	3.0%	4.0%
Defined benefit obligation (\$'000)	273,198	282,249	264,805	265,714	281,175

Description of the regulatory framework

The Superannuation Industry (Supervision) (SIS) legislation governs the superannuation industry and provides the framework within which superannuation schemes operate. The SIS regulations require an actuarial valuation to be performed for each defined benefit superannuation scheme every three years, or every year if the scheme pays defined benefit pensions unless an exemption has been obtained.

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Description of other entities' responsibilities for the governance of the Scheme

The scheme's trustee (South Australian Superannuation Board) is responsible for the governance of the scheme. The trustee has a legal obligation to act solely in the best interests of scheme beneficiaries. The trustee has the following roles:

- administration of the scheme and payment to the beneficiaries from scheme assets when required in accordance with the scheme rules;
- management and investment of the scheme assets; and
- compliance with superannuation law and other applicable regulations.

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licences and supervises regulated superannuation plans.

Description of risks

There are a number of risks to which the Scheme exposes the employer. The more significant risks relating to the defined benefits are:

Investment risk

The risk that investment returns will be lower than assumed and the employer will need to increase contributions to offset this shortfall.

Salary growth risk

The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.

Legislative risk

The risk that legislative changes could be made which increase the cost of providing the defined benefits.

The scheme assets are invested in the Funds SA Balanced Investment option. The assets are diversified within this investment option and therefore the Scheme has no significant concentration of investment risk.

Funding arrangements

The financing objective adopted at the 30 June 2014 actuarial investigation of the scheme in a report dated 15 May 2015, is to maintain the value of the scheme's assets at least equal to:

- 100% of accumulation account balances, plus
- for defined benefits, the greater of 100% of vested benefits and 100% of the actuarial value of accrued benefits.

In that valuation, it was recommended that the employer contribute to the scheme as follows:

- Defined Benefit members:
 - 12.00% of salary for all defined benefit members until 30 June 2015, then
 - 9.50% of salary for all defined benefit members after 1 July 2015, plus
 - Any additional employer contributions agreed between the employer and a member.
- Accumulation members:
 - 9.50% of ordinary time earnings, plus
 - Any additional employer contributions agreed between the employer and a member.

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation as at 30 June 2017 is nine years.

25 Provisions

		2017	2016
	Note	\$'000	\$'000
Current			
Workers compensation	25.1	4,251	3,439
Total current provisions		4,251	3,439
Non-current			
Workers compensation	25.1	5,467	4,669
Total non-current provisions		5,467	4,669
Total provisions		9,718	8,108

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Workers Compensation

SAAS is an exempt employer under the *Return to Work Act 2014*. Under a scheme arrangement, SAAS 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 SAAS for the settlement of lump sum and redemption payments, the cost of these claims, together with other claim costs, are met directly by SAAS, 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.

25.1 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	8,108	7,411
Increase in provisions recognised	2,023	1,444
Reductions arising from payments/other sacrifices of future economic benefits	(413)	(747)
Carrying amount at the end of the period	9,718	8,108

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.

26 Other liabilities

	2017	2016
	\$'000	\$'000
Current		
Unclaimed monies	62	92
Unearned revenue	1,768	601
Other	3	6
Total current other liabilities	1,833	699
Total other liabilities	1,833	699

27 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.

27.1 Operating lease expenditure 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	3,218	2,580
Later than one year but not longer than five years	3,841	3,115
Later than five years	2,107	1,413
Total operating lease commitments	9,166	7,108
Representing:		
Non-cancellable operating leases	9,166	5,362
Total operating lease commitments	9,166	5,362

SAAS 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 major commitments are for the properties at Eastwood, Parkside, Bedford Park, Ashford Hospital, Netley, Port Adelaide, Aldgate, Angaston, Gepps Cross, Edwardstown and Nuriootpa. SAAS has a number of other operating leases for the use of property. The value of these leases is immaterial.

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

Motor vehicles are leased from South Australian Government Financing Authority (SAFA) through their agent LeasePlan Australia. The leases are non-cancellable and the vehicles are leased for a specified time period or a specified number of kilometres, whichever occurs first.

27.2 Expenditure Commitments

Capital commitments	2017	2016
Capital expenditure contracted for at the reporting date but are not recognised as liabilities in the financial report, are payable as follows:	\$'000	\$'000
Within one year	7,488	134
Total capital commitments	7,488	134

SAAS's capital commitments are for plant and equipment ordered but not received and capital works.

Other expenditure commitments	2017	2016
	\$'000	\$'000
Within one year	859	875
Later than one year but not longer than five years	-	298
Total other expenditure commitments	859	1,173

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

28 Financial instruments / financial risk management

28.1 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*.

SAAS'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

SAAS 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 23 for further information.

Credit and market risk

SAAS has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. SAAS 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 SAAS.

Refer to Notes 17 and 18 for further information.

Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. SAAS'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.

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

28.2 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.

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

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer Notes 2, 18 and 23).

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

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	17, 31	10,126	19,631
Loans and receivables			
Receivables ^{(1) (2)}	18	18,131	18,470
Total financial assets		28,257	38,101
Financial liabilities			
Financial liabilities at cost			
Payables ⁽¹⁾	23	7,793	3,548
Other liabilities	26	65	98
Total financial liabilities		7,858	3,646

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

⁽²⁾ Receivables amount disclosed here excludes prepayments. Prepayments are presented in Note 18 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

29 Transferred functions

Transferred in

Assets and liabilities transferred were:

	2017 \$'000	2016 \$'000
Payables	-	34
Staff benefits	-	440
Total liabilities	-	474
Total net assets transferred	-	(474)

Net assets assumed by SAAS 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.

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 and SA Ambulance Service Inc (SAAS).

30 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

SAAS is not aware of any contingent assets.

Contingent Liabilities

SAAS is not aware of any contingent liabilities.

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

Guarantees

SAAS has made no guarantees.

31 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	10,126	19,631
Cash as per Statement of Financial Position	10,126	19,631
Balance as per the Statement of Cash Flows	10,126	19,631
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash provided by (used in) operating activities	1,156	12,040
Department for Health and Ageing contributions for the provision of health services	(149,449)	(127,992)
Add/less non-cash items		
Depreciation and amortisation expense of non-current assets	(10,657)	(10,503)
Gain/loss on sale or disposal of non-current assets	241	378
Increments on revaluation of non-current assets	-	4,271
Capital revenues	10,231	-
Movement in assets and liabilities		
Increase (decrease) in receivables	5,805	4,835
Increase (decrease) in inventories	29	27
Increase (decrease) in other current assets	9	(42)
(Increase) decrease in staff benefits	(11,447)	(15,867)
(Increase) decrease in payables and provisions	(5,507)	88
(Increase) decrease in other liabilities	(1,134)	228
Net cost of providing services	(160,723)	(132,537)

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.

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

32 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	278	338	193,356	173,082	193,634	173,420
5 Supplies and services	34,237	31,215	37,168	33,207	71,405	64,422
Administration	31	1	249	244	280	245
Advertising	33	25	266	346	299	371
Communication	1,606	1,564	1,407	1,233	3,013	2,797
Computing	1,871	1,674	675	657	2,546	2,331
Contractors	-	-	132	17	132	17
Contractors - agency staff	15,274	14,009	795	567	16,069	14,576
Consultants	-	-	566	397	566	397
Contract of services	-	-	257	201	257	201
Cost of goods sold	-	-	369	188	369	188
Drug supplies	254	236	219	177	473	413
Electricity, gas and fuel	2	3	720	730	722	733
Finance lease contingent rentals	-	-	-	3	-	3
Food supplies	39	40	10	6	49	46
Housekeeping	88	86	1,760	1,736	1,848	1,822
Insurance	1,479	1,439	48	56	1,527	1,495
Internal SA Health SLA payments	1,879	1,835	-	-	1,879	1,835
Legal	91	62	36	8	127	70
Medical, surgical and laboratory	2,767	2,556	1,040	894	3,807	3,450
Minor equipment	106	81	1,088	704	1,194	785
Motor vehicle expenses	598	640	4,358	3,113	4,956	3,753
Occupancy rent and rates	114	87	2,100	2,033	2,214	2,120
Patient transport	3,665	2,792	12,846	12,185	16,511	14,977
Payments to Shared Services SA	1,901	1,875	-	-	1,901	1,875
Postage	1	-	740	671	741	671
Printing and stationery	284	295	539	465	823	760
Rental expense on operating lease	1,731	1,534	-	-	1,731	1,534
Repairs and maintenance	78	108	1,633	1,637	1,711	1,745
Security	6	2	10	10	16	12
Staff training and development	184	120	362	286	546	406
Staff travel expenses	11	-	2,417	2,560	2,428	2,560
Other supplies and services	144	151	2,526	2,083	2,670	2,234
6 Depreciation and amortisation expense	-	-	10,657	10,503	10,657	10,503
7 Grants and subsidies	-	-	700	-	700	-
Funding to non-government organisations	-	-	700	-	700	-
Bad and doubtful debts	-	-	17,992	16,295	17,992	16,295
8 Other expenses	137	117	1,356	1,333	1,493	1,450
Bank fees and charges	-	-	61	48	61	48
Other	137	117	1,295	1,285	1,432	1,402
TOTAL EXPENSES	34,652	31,670	261,229	234,420	295,881	266,090
INCOME						
9 Revenue from fees and charges	30,927	33,887	94,963	91,302	125,890	125,189
Ambulance cover	-	-	24,679	24,440	24,679	24,440
Ambulance transport	26,055	29,635	67,140	64,390	93,195	94,025
Call direct	-	-	1,195	1,177	1,195	1,177
Recoveries	3,980	3,381	12	17	3,992	3,398
Other user charges and fees	892	871	1,937	1,278	2,829	2,149

SA AMBULANCE SERVICE INC
NOTES TO AND FORMING PART OF THE 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
10 Grants and contributions	6,300	1,000	444	-	6,744	1,000
Other SA Government grants and contributions	6,300	1,000	-	-	6,300	1,000
Private sector grants and contributions	-	-	444	-	444	-
11 Interest revenue	46	55	-	1	46	56
12 Resources received free of charge	-	-	-	4,271	-	4,271
13 Net gain from disposal of non-current and other assets	-	-	241	378	241	378
Total proceeds from disposal	-	-	411	438	411	438
Less total value of assets disposed	-	-	(159)	(5)	(159)	(5)
Less other costs of disposal	-	-	(11)	(55)	(11)	(55)
14 Other revenue	1,453	1,450	784	1,209	2,237	2,659
Commissions revenue	-	-	4	-	4	-
Donations	-	-	71	502	71	502
Training revenue	92	115	358	333	450	448
Emergency services levy	1,351	1,318	-	-	1,351	1,318
Bad debts recovered	-	-	18	75	18	75
Other	10	17	333	299	343	316
15 Revenue from SA Government	149,449	127,992	-	-	149,449	127,992
TOTAL INCOME	188,175	164,384	96,432	97,161	284,607	261,545
FINANCIAL ASSETS						
17 Cash and cash equivalents	9,835	19,385	291	246	10,126	19,631
18 Receivables	4,254	4,029	23,966	18,386	28,220	22,415
Debtors	310	860	31,215	28,917	31,525	29,777
Less: allowance for doubtful debts	-	-	(19,395)	(16,980)	(19,395)	(16,980)
Prepayments	-	-	5,857	643	5,857	643
Sundry receivables and accrued revenue	-	-	6,077	5,742	6,077	5,742
GST recoverable	-	-	212	64	212	64
Workers compensation provision recoverable	3,944	3,169	-	-	3,944	3,169
TOTAL FINANCIAL ASSETS	14,089	23,414	24,257	18,632	38,346	42,046
FINANCIAL LIABILITIES						
23 Payables	1,517	800	11,098	7,562	12,615	8,362
Creditors and accrued expenses	1,264	527	6,272	2,742	7,536	3,269
Paid Parental Leave Scheme payable	-	-	4	17	4	17
Employment on-costs	-	-	4,719	4,700	4,719	4,700
Other payables	253	273	103	103	356	376
26 Other liabilities	-	-	1,833	699	1,833	699
Unclaimed monies	-	-	62	92	62	92
Unearned revenue	-	-	1,768	601	1,768	601
Other	-	-	3	6	3	6
TOTAL FINANCIAL LIABILITIES	1,517	800	12,931	8,261	14,448	9,061

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

33 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
Finance Committee	5	Chalmers, H
Risk Management and Audit Committee	-	Beilby J Professor, Sneddon Y (Chair), Taylor B

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

	2017 No. of Members	2016 No. of Members
\$0	6	8
\$1 - \$9,999	3	3
Total	9	11

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 \$0.013 million (\$0.010 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.

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

34 Related party transactions

SAAS is controlled by the SA Government.

Related parties of SAAS include all key management personnel (KMP) 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

SAAS received funding from the SA Government via the Department (Note 15) and incurred expenditure via the Department for inter-health staff recharging, medical, surgical and laboratory supplies, computing and insurance (Note 5 and 32). The Department transferred capital works in progress of \$10.231 million to SAAS.

Quantitative information about transactions and balances between SAAS and other SA Government controlled entities are disclosed at Note 32.

In addition, SAAS 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 of SAAS includes the Ministers, the Chief Executive of the Department, Chief Executive Officer of SAAS and the nine members of the Executive Management Group who have responsibility for the strategic direction and management of SAAS.

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 SAAS to reimburse those expenses.

	2017	2016
Compensation	\$'000	\$'000
Salaries and other short term employee benefits	1,756	na
Post-employment benefits	326	na
Total	2,082	-

For those employees doing long term acting in KMP roles, only compensation for the period that they were acting is included.

SAAS did not enter into any transactions with KMP or their close family in 2016-17.

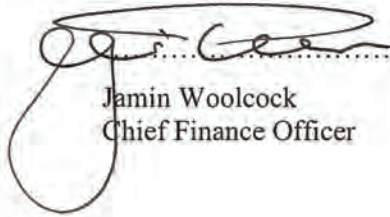
Certification of the financial statements

We certify that the:

- financial statements of the SA Ambulance Service 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 SA Ambulance Service Inc. over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Jason Killens
Chief Executive Officer



Jamin Woolcock
Chief Finance Officer

Date 14/09/17

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chief Executive Officer SA Ambulance Service Inc

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 SA Ambulance Service Inc 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 SA Ambulance Service Inc 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, Department for Health and Ageing.

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 SA Ambulance Service Inc. 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

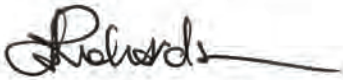
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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

21 September 2017

South Australia Police

Financial report
for the year ended
30 June 2017

South Australia Police
Statement of comprehensive income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses:			
Employee benefits	5	721 187	663 038
Supplies and services	6	146 083	136 550
Depreciation and amortisation	7	28 079	25 515
Write down of non-current assets		43	718
Impairment loss	20	710	69
Total expenses		896 102	825 890
Income:			
Fees and charges	8	26 630	26 461
Interest	9	3	4
Commonwealth revenues	10	1 658	1 313
Net gain from the disposal of non-current and other assets	11	118	301
Other income	12	9 528	8 429
Total Income		37 937	36 508
Net cost of providing services		858 165	789 382
Revenues from (payments to) SA Government:			
Revenues from SA Government	13	791 707	766 892
Contributions from the Community Emergency Services Fund	13	21 798	21 267
Contributions from the Community Road Safety Fund	13	40 258	39 275
Payments to SA Government	13	(832)	(29 821)
Net revenues from SA Government		852 931	797 613
Net result		(5 234)	8 231
Other comprehensive income:			
Changes in revaluation surplus		-	13 065
TOTAL COMPREHENSIVE RESULT		(5 234)	21 296

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

South Australia Police
Statement of financial position
as at 30 June 2017

	Note No	2017 \$'000	2016 \$'000
Current assets:			
Cash and cash equivalents	14	174 225	115 096
Receivables	15	9 171	31 013
Inventories		490	307
		183 886	146 416
Non-current assets held for sale	16	10 378	9 893
Total current assets		194 264	156 309
Non-current assets:			
Receivables	15	1 070	1 239
Capital works in progress	17	9 121	18 716
Property, plant and equipment	18	345 314	346 587
Intangible assets	19	21 683	15 583
Investment properties	20	-	1 190
		377 188	383 315
Total non-current assets		571 452	539 624
Total assets			
Current liabilities:			
Payables	22	40 008	24 954
Employee benefits	24	69 731	73 132
Provisions	25	19 550	18 116
Other liabilities	23	529	499
		129 818	116 701
Total current liabilities			
Non-current liabilities:			
Payables	22	24 527	22 310
Employee benefits	24	191 903	188 086
Provisions	25	77 227	58 817
Other liabilities	23	4 078	4 577
		297 735	273 790
Total non-current liabilities		427 553	390 491
Total liabilities			
Net assets		143 899	149 133
Equity:			
Contributed capital		85 220	85 220
Revaluation surplus		141 831	141 831
Retained earnings		(83 152)	(77 918)
Total equity		143 899	149 133

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

Unrecognised contractual commitments	29
Contingent liabilities	30

South Australia Police
Statement of changes in equity
for the year ending 30 June 2017

	Contributed Capital \$'000	Revaluation Surplus \$'000	Retained Earnings \$'000	Total equity \$'000
Balance at 30 June 2015	85 220	129 064	(86 613)	127 671
Error correction	-	-	166	166
Restated balance at 30 June 2015	85 220	129 064	(86 447)	127 837
Net result for 2015-16	-	-	8 231	8 231
Gain/(loss) on revaluation of property plant and equipment	-	13 065	-	13 065
Total comprehensive result for 2015-16	-	13 065	8 231	21 296
Transfer to retained earnings from revaluation surplus - net increments realised on sale	-	(298)	298	-
Adjustments to equity	-	-	-	-
Balance at 30 June 2016	85 220	141 831	(77 918)	149 133
Error correction	-	-	-	-
Restated balance at 30 June 2016	85 220	141 831	(77 918)	149 133
Net result for 2016-17	-	-	(5 234)	(5 234)
Gain/(loss) on revaluation of property plant and equipment	-	-	-	-
Total comprehensive result for 2016-17	-	-	(5 234)	(5 234)
Transfer to retained earnings from revaluation surplus - net increments realised on sale	-	-	-	-
Balance at 30 June 2017	85 220	141 831	(83 152)	143 899

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

South Australia Police
Statement of cash flows
for the year ended June 2017

		2017	2016
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash outflows:			
Employee benefits		(698 666)	(658 700)
Supplies and services		(145 930)	(158 237)
Cash provided by (used in) operations		(844 596)	(816 937)
Cash inflows:			
Fees and charges		28 937	29 106
Interest		3	4
GST recovered from the ATO		10 674	10 241
Other receipts		9 442	8 906
Cash generated from operations		49 056	48 257
Cash flows from SA government:			
Receipts from SA government		874 634	809 377
Payments to SA government		(832)	(29 821)
Cash generated from SA government		873 802	779 556
Net cash provided by operating activities	26	78 262	10 876
Cash flows from investing activities			
Purchase of property, plant and equipment		(19 491)	(17 584)
Proceeds from the sale of property, plant and equipment		358	388
Net cash (used in) investing activities		(19 133)	(17 196)
Net increase/(decrease) in cash and cash equivalents		59 129	(6 320)
Cash and cash equivalents at the beginning of the period		115 096	121 416
Cash and cash equivalents at end of the period	14	174 225	115 096

South Australia Police
Disaggregated disclosures – Expenses and Income
for the year ended June 2017

	Public Safety		Crime and Criminal Justice Services	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Expenses:				
Employee benefits	298 335	274 148	342 552	310 978
Supplies and services	53 015	50 951	68 588	62 308
Depreciation and amortisation	10 896	9 698	11 520	10 331
Write down of non-current assets	14	237	20	314
Impairment loss	237	23	317	30
Total expenses	362 497	335 057	422 997	383 961
Income:				
Fees and charges	17 550	16 909	5 638	5 570
Interest	1	1	2	2
Commonwealth revenues	590	468	847	661
Other income	5 946	2 272	2 840	3 380
Net gain from the disposal of non-current and other assets	39	99	53	132
Total income	24 126	19 749	9 380	9 745
Net cost of providing services	338 371	315 308	413 617	374 216
Revenues from (payments to) SA Government				
Revenues from SA Government	336 651	329 337	411 548	393 081
Payments to SA Government	(348)	(10 638)	(384)	(15 012)
Net revenues from SA Government	336 303	318 699	411 164	378 069
Net result	(2 068)	3 391	(2 453)	3 853

South Australia Police
Disaggregated disclosures – Expenses and Income
for the year ended June 2017

	Road Safety		TOTAL	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Expenses:				
Employee benefits	80 300	77 912	721 187	663 038
Supplies and services	24 480	23 291	146 083	136 550
Depreciation and amortisation	5 663	5 486	28 079	25 515
Write down of non-current assets	9	167	43	718
Impairment loss	156	16	710	69
Total expenses	110 608	106 872	896 102	825 890
Income:				
Fees and charges	3 442	3 982	26 630	26 461
Interest	-	1	3	4
Commonwealth revenues	221	184	1 658	1 313
Other income	742	2 777	9 528	8 429
Net gain from the disposal of non-current and other assets	26	70	118	301
Total income	4 431	7 014	37 937	36 508
Net cost of providing services	106 177	99 858	858 165	789 382
Revenues from (payments to) SA Government				
Revenues from SA Government	105 564	105 016	853 763	827 434
Payments to SA Government	(100)	(4 171)	(832)	(29 821)
Net revenues from SA Government	105 464	100 845	852 931	797 613
Net result	(713)	987	(5 234)	8 231

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

1 Objectives of South Australia Police (SAPOL)

SAPOL's vision is to provide a visible, responsive police service for all South Australians.

The South Australia Police (SAPOL) operates within the *Police Act 1998*, and the *Police Regulations 2014* to:

- Uphold the law
- Preserve the peace
- Prevent crime
- Assist the public in emergency situations
- Coordinate and manage responses to emergencies
- Regulate road use and prevent vehicle collisions

In addition, SAPOL operates within the *Public Sector Act 2009 (PSA)*.

2 Significant accounting policies

(a) Statement of compliance

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

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with Australian Accounting Standards (AAS) and comply with Treasurer's Instructions (TI) and Accounting Policy Statements (APS) promulgated under the provisions of the PFAA.

SAPOL has applied AASs that are applicable to not-for-profit entities, as SAPOL is a not for profit entity.

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

2 Significant accounting policies (continued)

(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 SAPOL's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in these financial statements:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies
 - (b) expenses incurred as a result of engaging consultants
 - (c) employee 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.

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

The continued existence of SAPOL in its present form and with its present activities is dependent on government policy and on continuing appropriations by parliament for SAPOL's administration and outputs.

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

SAPOL is a government department of the State of South Australia and operates within the Police Act 1998, the Police Regulations 2014 and the PSA. SAPOL is an administrative unit acting on behalf of the Crown.

The financial statements and accompanying notes include all the controlled activities of SAPOL (refer to the disaggregated schedule for details of SAPOL's controlled activities).

SAPOL does not control any other entity and has no interests in unconsolidated structured entities.

The financial statements and accompanying notes include all the controlled activities of SAPOL. Transactions and balances relating to administered resources are not recognised as SAPOL income, expenses, assets and liabilities. As administered items are significant in relation to SAPOL's overall financial performance and position, they are disclosed in the administered financial statements attached to 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 controlled items.

(d) Transferred functions

No functions were transferred during the 2016-17 financial year.

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

2 Significant accounting policies (continued)

(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 APSs 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

SAPOL is not subject to Income Tax. SAPOL is liable for Payroll Tax, FBT, GST, Emergency Services levy, land tax equivalents and local government rate equivalents.

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

- where the GST incurred on a purchase of goods or services is not recoverable from the ATO, in which case GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- receivables (with the exception of prepayments) 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.

GST recoverable from or payable to the ATO associated with administered items transactions is included in the SAPOL statements.

(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 events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

There are no such events for the reporting period after 30 June 2017.

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

2 Significant accounting policies (continued)

(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.

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

(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 cost, or minimal purchase cost, 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 of \$10 000 or greater are capitalised.

Capital works in progress (WIP) are capital projects which are commenced but not yet completed as at reporting date. Refer to note 17.

Depreciation and amortisation

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

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

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

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

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

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

2 Significant accounting policies (continued)

Depreciation and amortisation (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	20-60
Vehicles and transport vessels	3-10
Aircraft	5-35
Computing & communications equipment	2-10
Sub Class:	
<i>Radio masts</i>	2-60
Other	2-20
Sub Class:	
<i>Generators</i>	2-38
Leasehold improvements	Remaining life of lease
Intangible assets	2-10

Revaluation of non-current assets

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

SAPOL has a policy of revaluing its land, buildings, leasehold improvements, investment properties, vessels and aircraft every six years via a Certified Practising Valuer. SAPOL engaged a Certified Practising Valuer to perform a site valuation and a desktop valuation for the remainder of the contract. 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.

Land, buildings, leasehold improvements, aircrafts, vessels controlled by SAPOL were revalued as at 30 June 2017 following a desktop independent valuation prepared by Liquid Pacific using the fair value methodology. Other non-current assets are recognised at their written down historic cost.

Investment properties were revalued by OPTEON Property Group.

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

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

Impairment

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 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.

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

2 Significant accounting policies (continued)

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. SAPOL 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, or internal development, of software is capitalised only when the expenditure meets the definition criteria outlined in AASB 138 Intangible Assets (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10 000.

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

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.

SAPOL 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, SAPOL 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).

As SAPOL 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 18, 19, and 21 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

2 Significant accounting policies (continued)

(k) Liabilities

Leases

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

SAPOL has entered into a number of operating lease agreements for buildings and vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items. Operating lease payments are representative of the pattern of benefits to be derived from the leased items and accordingly are charged to the Statement of Comprehensive Income in the period in which they are incurred.

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

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

Public Private Partnership (PPP)

In May 2005 Cabinet approved the execution of a 25 year service contract with Plenary Justice Pty Ltd (Plenary) for regional police stations for SAPOL and courts for the Courts Administration Authority (CAA).

In June 2005 the Minister of Infrastructure signed a Project Agreement.

The PPP includes police stations at Mt Barker and Gawler, police stations and court facilities at Port Lincoln, Victor Harbor and Berri, and court facilities at Port Pirie.

For accounting purposes the leases are operating leases.

Under the PPP agreement SAPOL is responsible for paying lease payments to Plenary for sites occupied by both SAPOL and CAA. SAPOL invoices CAA for the sites they occupy.

Lease expenditure and payables related to the facilities occupied by SAPOL are recognised in the SAPOL financial statements. Lease expenditure, revenue and associated payables and receivables related to the facilities occupied by CAA is recognised in the Administered financial statements.

Employee benefits

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

Salaries and wages, annual leave, skills and experience retention leave (SERL) and sick leave

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

The annual leave liability and the SERL are expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. Liabilities for annual leave are recognised and are measured as the amount unpaid at the reporting date at the rate of pay expected to be paid when the leave is taken in respect of employee's services up to that date.

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

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

2 Significant accounting policies (continued)

Long service leave (LSL)

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

Police Service Leave

Police Service Leave is prescribed in Clause 34 of the South Australia Police Enterprise Agreement 2011 and came into effect 1 July 2014 to recognise and retain the knowledge and experience of long serving officers.

The Police service leave liability is expected to be payable within 5 years and is measured at the undiscounted amount expected to be paid. Police service leave liability is recognised and measured as the amount unpaid at the reporting date at the rate of pay expected to be paid when the leave is taken in respect of employee's services up to that date.

Employee benefit on-costs

Employee benefit on-costs (Payroll Tax and superannuation) are recognised separately under payables.

Provisions

Workers' Compensation

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.

SAPOL, as a self-insurer, is responsible for the payment of workers' compensation claims.

Injury and Income Protection Policy (IIPP)

Additional work-related injury insurance arrangements for police officers:

Following the commencement of the Return to Work Act 2014 (RTW Act) on 1 July 2015, the Police Association of South Australia (PASA) campaigned for additional insurance arrangements for police officers. As a result, the PASA and the SA Government entered into a Heads of Agreement which provides for the inclusion of an Injury and Income Protection Policy (IIPP) as part of the South Australia Police Enterprise Agreement 2016 (Enterprise Agreement) for police officers who suffer a work-related injury.

The Enterprise Agreement included a Reserved Matter clause where the PASA and the SA Government agreed to take all reasonable steps towards reaching a finalised outcome by 1 July 2016. Agreement was reached between the state government and the PASA on the 15 February 2017 to establish the Injury and Income Protection Policy.

As at 30 June 2017, some transitional aspects of the RTW Act are being put into practice for the first time.

Concurrently with those changes, the IIPP is being implemented which extends benefits for certain non-seriously injured workers beyond the time that they would cease entitlements under the regular RTW Act benefit limits.

SAPOL requested an actuarial estimate from Taylor Fry of the provision for the outstanding liability as at 30 June 2017 for claims arising from the IIPP. The current and non-current liability information is provided at note 25. The actuarial estimate is highly sensitive to changes in the assumptions of the proportion of claims eligible for the IIPP. As claim costs develop and the IIPP begins operating on an ongoing basis, assumptions can be based on more extensive experience.

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

2 Significant accounting policies (continued)

Civil actions against Police

A liability has been reported to reflect unsettled actions against SAPOL.

Death in course of employment

A liability has been reported to recognise those claims where an employee has died out of or in the course of employment. SAPOL is still to conduct an investigation in to some of these claims and by recognising a provision, SAPOL is not accepting liability to these claims until a full investigation has been completed.

(l) Professional Indemnity and General Public Liability Insurance

SAPOL is a participant in the SA Government's Insurance Program. SAPOL pays an insurance premium through South Australian Insurance Corporation (SAICORP), a Division of SAFA. SAPOL is responsible for the payment of claim amounts up to an agreed amount (the deductible). SAICORP provides the balance of the funding for claims in excess of the deductible.

(m) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

3 New and revised accounting standards and policies

The department 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 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 department 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.

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

4 Activities of SAPOL

SAPOL has identified three activities that it delivers to the community and the Minister for Police. The identity and description of each SAPOL activity during the year ended 30 June 2017 is summarised below. Financial information relating to each activity is reported in the Disaggregated Disclosures - Expenses and Income. Assets and liabilities have not been presented as they cannot be reliably determined at a disaggregated level.

Activity 1 Public safety

Provides visible and available police services, working in partnership with the community and other agencies to support the achievement of South Australia's strategic priorities. SAPOL helps make South Australia a safer place to live, visit and do business through police response and assistance, management of major events, and emergency response, management and coordination across the state.

Activity 2 Crime and Criminal Justice Services

SAPOL's crime prevention and reduction and support of the criminal justice system contribute to the achievement of South Australia's strategic priorities. To prevent crime and reduce offending, SAPOL works in partnership with the community and other agencies for an accessible and effective criminal justice system.

Activity 3 Road safety

Policing for safer roads and road use across the state supports the achievement of South Australia's strategic priorities. SAPOL road safety services include the regulation of road use, education and vehicle collision prevention. Police work in partnership with the community and other agencies to achieve better road safety outcomes for all South Australians and those visiting the state.

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

5 Employee benefits

	2017	2016
	\$'000	\$'000
Salaries and wages	493 590	478 304
Annual leave	65 857	60 611
Long service leave	21 539	22 189
Police Service Leave	231	268
Skills and experience retention leave	275	265
Employment on-costs - superannuation ⁽¹⁾	71 257	60 804
Employment on-costs - other	32 406	30 963
Targeted voluntary separation packages	62	-
Other employment related expenses	755	780
Workers compensation ⁽²⁾	19 980	8 854
Injury and income protection policy ⁽³⁾	15 235	-
Total employee benefits	721 187	663 038

⁽¹⁾ The employment on-costs superannuation has increased by \$10.453 million in 2017 due mainly to a change in methodology used to calculate the superannuation on-cost liability in 2015-16.

⁽²⁾ 2017 expenditure includes the movement in the workers compensation liability of \$4.5 million resulting from the annual actuarial assessment (see also note 25).

⁽³⁾ Injury and income protection policy was introduced in 2017, therefore no comparatives are available.

Targeted voluntary separation packages (TVSPs)

	2017	2016
	\$'000	\$'000
Amounts paid during the reporting period to separated employees:		
TVSPs	62	-
Leave paid to those employees	23	-
Amount paid by SAPOL	85	-

Number of employees that were paid TVSPs during the reporting period is 1.

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

5 Employee benefits (continued)

Remuneration of employees

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

	2017 Number	2016 Number
\$145 000 - \$147 000 *	NA	50
\$147 001 - \$157 000	315	223
\$157 001 - \$167 000	146	59
\$167 001 - \$177 000	46	35
\$177 001 - \$187 000	25	35
\$187 001 - \$197 000	54	9
\$197 001 - \$207 000	13	32
\$207 001 - \$217 000	31	6
\$217 001 - \$227 000	6	1
\$227 001 - \$237 000	2	1
\$237 001 - \$247 000	1	1
\$257 001 - \$267 000	-	2
\$267 001 - \$277 000	3	1
\$277 001 - \$287 000	2	2
\$287 001 - \$297 000	3	3
\$297 001 - \$307 000	1	-
\$337 001 - \$347 000	1	1
\$347 001 - \$357 000	-	1
\$357 001 - \$367 000	1	1
\$367 001 - \$377 000	1	-
Total	651	463

The increase of 188 employees mainly relates to the increase in sworn salaries.

*This band has been included for the purpose of reporting comparative figures based on the executive base level remuneration rate for 2015-16.

Remuneration of employees by category

	2017 \$'000	2016 \$'000
Executive	12	12
Non-executive	639	451
Total	651	463
Police	642	453
Public Servant	9	10
Total	651	463

The table above includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. The table does not include administered employees. Remuneration of employees reflects all costs of employment including salaries and wages, overtime, penalties and allowances, superannuation contributions, FBT and any other salary sacrifice benefits. It also includes various leave entitlements paid out on separation. The total remuneration received by these employees for the year was \$108.9 million (\$76.3 million).

The number of non-executive sworn employees receiving remuneration in excess of the base executive remuneration level is predominantly driven by wage increases under the SAPOL Enterprise Agreement (the 2.5% sworn salary increase effective from July 2016 and the adjustment of salary rates in July 2016) and the payment of the 1% Organisational Reform Allowance in July 2016.

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6 Supplies and services

	2017	2016
	\$'000	\$'000
Accommodation and property related*	33 978	31 896
Administration	20 087	16 129
Collection costs	815	912
Communication and computing	29 158	25 738
Consultants	140	99
Employee programs & housing subsidies	10 953	10 429
Helicopter costs	1 178	3 236
Insurance	1 562	1 496
Legal	1 978	1 683
Minor equipment	4 274	5 807
Motor vehicle related	22 586	23 128
Shared Services SA	3 315	3 085
Uniforms	2 933	2 110
Utilities	3 834	4 102
Other	9 292	6 700
Total supplies and services	146 083	136 550

*Pursuant to the contract arrangements with Plenary, the PPP partner, SAPOL pays lease charges to Plenary for sites occupied by both SAPOL and the CAA. SAPOL on-charges the CAA for lease costs associated with CAA sites. The income and expenditure associated with the sites occupied by CAA are recognised as administration items. The resulting revenue is not off-set against expenditure.

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	Number	\$'000	Number
Below \$10 000	44	22	30	18
Above \$10 000	96	3	69	3
Total paid/payable to consultants engaged	140	25	99	21

External auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the PFAA were \$0.332 m (\$0.339 m). No other services were provided by the Auditor-General's Department. Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of 'Administration' (refer note 6).

South Australia Police
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7 Depreciation and amortisation

	2017 \$'000	2016 \$'000
Depreciation		
Buildings and improvements	6 365	6 265
Computing and communications equipment	5 395	4 229
Vehicles and transport vessels	1 611	1 548
Aircraft	238	1 158
Other	4 008	4 472
Total depreciation	17 617	17 672
Amortisation		
Leasehold improvements	4 131	3 371
Internally generated computer software	3 484	2 183
Other computer software	2 847	2 289
Total amortisation	10 462	7 843
Total depreciation and amortisation	28 079	25 515

8 Fees and charges

	2017 \$'000	2016 \$'000
Escorts - wide load/other	2 119	2 156
Firearms licence and registration fees	5 472	5 210
Hoon legislation recoveries	3 119	3 430
Police information requests	2 413	2 765
Police security services	10 619	9 948
Prosecution and other court fees	1 973	2 089
Other fees	915	863
Total fees and charges	26 630	26 461

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

9 Interest

	2017 \$'000	2016 \$'000
Interest on deposit accounts	3	4
Total interest	3	4

South Australia Police
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10 Commonwealth revenues

	2017	2016
	\$'000	\$'000
Commonwealth revenues	1 658	1 313
Total Commonwealth revenues	1 658	1 313

During 2016-17 SAPOL recovered costs associated with resources provided at the request of the Commonwealth Government in relation to:

- Crim-Trac - Jurisdictional criminal history referrals
- Home and Community Care
- Operation Midrealm.

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. 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
- 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.

11 Net gain/(loss) from the disposal of non-current assets

	2017	2016
	\$'000	\$'000
Land and buildings		
Proceeds from disposal	83	-
Net book value of assets disposed	(240)	-
Net gain/(loss) from disposal of land and buildings	(157)	-
Plant and equipment		
Proceeds from disposal	275	388
Net book value of assets disposed	-	(87)
Net gain from disposal of plant and equipment	275	301
Total Assets		
Proceeds from disposal	358	388
Net book value of assets disposed	(240)	(87)
Total net gain from disposal of non-current assets	118	301

Gains/Losses on disposal of 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.

South Australia Police
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12 Other income

	2017	2016
	\$'000	\$'000
Contributed (donated) asset revenue	4 012	2 313
Employee benefits recoveries	838	1 719
Goods and services recoveries	1 989	1 635
Intra-Government transfers	904	784
Rent revenue	332	346
Sundry receipts	440	783
Other sundry revenues	1 013	646
Gain on foreign exchange	-	203
Total other income	9 528	8 429

Resources received free of charge relate to goods and/or services being provided free of charge. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

Recoveries include employee benefits recoveries (i.e. where employees are seconded to Commonwealth programs and SAPOL continues to provide the ongoing salary for the employees) and goods and services (i.e. where SAPOL incurs expenditure on goods and services and later recovers the expenditure).

During 2016-17 SAPOL Contributed (donated) asset revenue primarily relates to Helicopter equipment of \$3.68 million from the Attorney-General's Department and \$0.332 million for other equipment from the Commonwealth Government.

Assets recognised in 2015-16 related to road safety (fixed/red light cameras) of \$1.622 million received from Department of Planning, Transport and Infrastructure (DPTI) and \$0.691 million for equipment from the Commonwealth Government.

In 2016-17 the intra-government transfer comprises:

- \$545,000 for a traffic training and promotion program from the Motor Accident Commission (2016: \$530 000)
- \$16,000 for Home & Community Care from the Department for Communities and Social Inclusion (2016: \$16 000)
- \$178,000 for the Rural Highways Saturation Program from DPTI (2016: \$173 000)
- \$65,000 for the National Motor Vehicle Theft Reduction Program from DPTI & Infrastructure & Attorney-General's Department (2016: \$65 000)
- \$100,000 for Thebarton Heritage Works (Compass House Brickworks) from DPTI (2016: \$0).

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13 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>	791 707	757 567
Transfers from contingencies	-	9 325
Contributions from the Community Emergency Services Fund	21 798	21 267
Contributions from the Community Road Safety Fund	40 258	39 275
Total revenues from SA Government	853 763	827 434
Payments to SA Government		
Other payments to the Consolidated Account *	(832)	(29 821)
Total payments to SA Government	(832)	(29 821)
Net revenues from SA Government	852 931	797 613

*During 2016-17 SAPOL returned \$0.832 million (2016: \$29.821 million) to the Consolidated Account in accordance with the cash alignment policy.

Appropriations for program funding are recognised as income when SAPOL obtains control over the funding. Control over appropriations is normally obtained upon their receipt.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of SAPOL and the appropriation is recorded as contributed capital.

14 Cash and cash equivalents

	2017 \$'000	2016 \$'000
Deposits with the Treasurer	173 931	114 807
Cash held in imprest accounts and petty cash	294	289
Total cash and cash equivalents	174 225	115 096

Cash is measured at nominal amounts

Deposits with the Treasurer

SAPOL has two deposit accounts with the Treasurer, a general operating account and an Accrual Appropriation Excess Funds Account. 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.

Cash increase of \$59.6 million includes payment from Emergency Services Commission (\$21.3 million that reduced current receivables in 2017, see note 15), higher accrual appropriation (\$9.5 million) and higher current creditors in 2017 (\$18.8 million, see note 22).

South Australia Police
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15 Receivables

	2017	2016
	\$'000	\$'000
Current receivables		
Receivables	2 494	23 091
Less: Allowance for doubtful debts	(35)	(34)
Accrued revenue	355	156
Prepayments	3 138	3 997
GST input tax recoverable	2 791	3 302
Workers compensation recoveries	428	501
Total current receivables	9 171	31 013
Non-current receivables		
Workers compensation recoveries	1 070	1 239
Total non-current receivables	1 070	1 239
Allowance for doubtful debts		
Carrying amount at the beginning of the period	34	-
Increase in allowance	1	34
Carrying amount at the end of the period	35	34

The receivables in 2016 include one invoice for \$21.267 million raised to Emergency Services Commission for the Community Emergency Services Fund.

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, 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.

South Australia Police
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16 Non-current assets held for sale

	2017	2016
	\$'000	\$'000
Buildings and improvements	43	43
Land	10 330	9 850
Vehicles and transport vessels	5	-
Total non-current assets held for sale	10 378	9 893

Reconciliation of non-current assets held for sale movement

Carrying amount at 1 July	9 893	9 893
Transfers from investment properties	480	-
Transfers from vehicles and transport vessels	5	-
Total non-current assets held for sale	10 378	9 893

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.

17 Capital works in progress

	2017	2016
	\$'000	\$'000
Property, plant and equipment in progress at cost (deemed fair value)	9 121	18 716
Total capital works in progress	9 121	18 716

South Australia Police
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18 Property, plant and equipment

	2017 \$'000	2016 \$'000
Land ⁽¹⁾		
Land at fair value	62 524	62 544
Total land	62 524	62 544
Buildings and improvements ⁽¹⁾		
Buildings at fair value	209 148	205 731
Accumulated depreciation	(6 380)	(15)
Total buildings and improvements	202 768	205 716
Leasehold improvements ⁽¹⁾		
Leasehold improvements at fair value	39 618	39 559
Accumulated depreciation	(4 122)	-
Total leasehold improvements	35 496	39 559
Computing and communications equipment		
Computing and communications equipment - at cost (deemed fair value) ⁽²⁾	52 582	47 099
Accumulated depreciation	(38 833)	(34 508)
Total computing and communications equipment	13 749	12 591
Vehicles and transport vessels ⁽¹⁾		
Vehicles and transport vessels - at cost (deemed fair value)	9 273	8 984
Accumulated depreciation	(5 009)	(4 440)
Total vehicle and transport vessels	4 264	4 544
Other property plant and equipment		
Other - at cost (deemed fair value)	55 364	46 394
Accumulated depreciation	(31 138)	(27 286)
Total other	24 226	19 108
Aircraft ⁽¹⁾		
Aircraft at fair value	2 529	2 530
Accumulated depreciation	(242)	(5)
Total aircraft	2 287	2 525
Total property, plant and equipment	345 314	346 587

⁽¹⁾ Land, buildings and improvements, leasehold improvements, vessels and aircraft were revalued as at 30 June 2017 following a desktop independent valuation by Liquid Pacific. There was no material difference between fair value and carrying amount of the assets. Consequently, it was determined no revaluation adjustment was required at this time.

⁽²⁾ Intangible assets - computer software has been separately identified (refer note 19).

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18 Property, plant and equipment (continued)

Movement reconciliation of non-current assets:

2017	Land improvements	Buildings & improvements	Leasehold improvements	Computing & communications equipment	Vehicles & transport vessels	Other
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	62 544	205 716	39 559	12 591	4 544	19 108
Transfers to/(from) capital works in progress	210	3 417	78	6 644	1 337	5 474
Depreciation and amortisation expense	-	(6 365)	(4 131)	(5 395)	(1 611)	(4 008)
Donated assets	-	-	-	-	-	4 012
Transfer between classes	-	-	-	(163)	-	(396)
Asset - recognised through stocktake	-	-	-	87	-	60
Disposals	(230)	-	(10)	-	-	-
Assets written off	-	-	-	(15)	(1)	(24)
Transfers to assets held for sale	-	-	-	-	(5)	-
Carrying amount at the end of the period	62 524	202 768	35 496	13 749	4 264	24 226

Movement reconciliation of non-current assets:

2017	Aircraft	Total property plant and equipment	Capital works in progress	Intangible assets (internally generated)	Intangible assets (other computer software)	2017 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	2 525	346 587	18 716	5 657	9 926	380 886
Additions	-	-	19 434	-	-	19 434
Transfers to/(from) capital works in progress	-	17 160	(21 279)	340	3 779	-
Depreciation and amortisation expense	(238)	(21 748)	-	(3 484)	(2 847)	(28 079)
Donated assets	-	4 012	-	-	-	4 012
Transfer between classes	-	(559)	396	-	163	-
Asset - recognised through stocktake	-	147	-	-	-	147
Disposals	-	(240)	-	-	-	(240)
Assets written off	-	(40)	-	-	(3)	(43)
Transfers to assets held for sale	-	(5)	-	-	-	(5)
Asset clearing account	-	-	6	-	-	6
Other movements*	-	-	(8 152)	8 152	-	-
Carrying amount at the end of the period	2 287	345 314	9 121	10 665	11 018	376 118

* In 2016-17 the department identified \$8.152 million worth of intangible assets in capital works in progress that should have been capitalised in the prior year. The impact on depreciation was immaterial.

South Australia Police
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18 Property, plant and equipment (continued)

Movement reconciliation of non-current assets:

2016	Land	Buildings & improvements	Leasehold improvements	Computing & communications equipment	Vehicles & transport vessels	Other
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	59 623	205 325	41 482	13 741	4 543	18 163
Error corrections *	-	-	-	16	-	158
Additions	-	-	-	-	-	12
Transfers to/(from) capital works in progress	-	599	802	3 222	882	3 030
Depreciation and amortisation expense	-	(6 265)	(3 371)	(4 229)	(1 548)	(4 472)
Net revaluation increment/(decrement)	3 205	6 135	712	-	754	-
Donated assets	-	-	-	-	-	2 312
Disposals	-	-	-	-	(87)	-
Assets written off	(284)	(78)	(66)	(159)	-	(95)
Carrying amount at the end of the period	62 544	205 716	39 559	12 591	4 544	19 108

Movement reconciliation of non-current assets:

2016	Aircraft	Total property plant and equipment	Capital works in progress	Intangible assets (internally generated)	Intangible assets (other computer software)	2016 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	1 225	344 102	10 023	7 131	11 386	372 642
Error corrections *	-	174	-	-	-	174
Additions	-	12	18 981	-	20	19 013
Transfers to/(from) capital works in progress	199	8 734	(10 288)	709	845	-
Depreciation and amortisation expense	(1 158)	(21 043)	-	(2 183)	(2 289)	(25 515)
Net revaluation increment/(decrement)	2 259	13 065	-	-	-	13 065
Donated assets	-	2 312	-	-	-	2 312
Disposals	-	(87)	-	-	-	(87)
Assets written off	-	(682)	-	-	(36)	(718)
Carrying amount at the end of the period	2 525	346 587	18 716	5 657	9 926	380 886

* A prior period adjustment relates to depreciation not recognised in prior periods for assets.

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19 Intangible Assets

	2017 \$'000	2016 \$'000
Computer software		
Internally developed computer software - at cost (deemed fair value)	33 048	24 592
Accumulated amortisation	(22 383)	(18 935)
Total internally generated computer software	10 665	5 657
Other computer software		
Other computer software	24 936	20 790
Accumulated amortisation	(13 918)	(10 864)
Total other computer software	11 018	9 926
Total intangible assets	21 683	15 583

20 Investment properties

	2017 \$'000	2016 \$'000
Investment building	-	690
Investment land	-	500
Total investment properties	-	1 190
Movement reconciliation of investment properties		
Carrying amount at the beginning of the period	1 190	1 259
Impairment loss	(710)	(69)
Transfer to held for sale	(480)	
Carrying amount at the end of the period	-	1 190

Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties.

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21 Fair value measurement

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

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2017.

Fair value measurements at 30 June 2017

	Level 2	Level 3	Total
	\$'000	\$'000	\$'000
Recurring fair value measurements			
Land	62 524	-	62 524
Buildings & improvements	-	202 768	202 768
Leasehold improvements	-	35 496	35 496
Computing & communications equipment	-	13 749	13 749
Vehicles & transport vessels	1 474	2 790	4 264
Other	-	24 226	24 226
Aircraft	2 287	-	2 287
Total recurring fair value measurements	66 285	279 029	345 314
Non-recurring fair value measurements			
Land held for sale	10 330	-	10 330
Buildings held for sale	-	43	43
Vehicles and transport vessels held for sale	-	5	5
Total non-recurring fair value measurements	10 330	48	10 378
Total	76 615	279 077	355 692

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21 Fair value measurement (continued)

Fair value measurements at 30 June 2016

	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements			
Land	62 544	-	62 544
Buildings & improvements	-	205 716	205 716
Leasehold improvements	-	39 559	39 559
Computing & communications equipment	-	12 591	12 591
Vehicles & transport vessels	1 955	2 589	4 544
Other	-	19 108	19 108
Aircraft	2 525	-	2 525
Investment properties	1 190	-	1 190
Total recurring fair value measurements	68 214	279 563	347 777
Non-recurring fair value measurements			
Land held for sale	9 850	-	9 850
Buildings held for sale	-	43	43
Total non-recurring fair value measurements	9 850	43	9 893
Total	78 064	279 606	357 670

There were no transfers of assets between levels 1 and 2 fair value hierarchy levels in 2016. SAPOL's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. SAPOL had no valuations categorised into level 1.

Valuation techniques and inputs

Valuation techniques used to derive levels 2 and 3 fair values are listed below. Level 2 assets are valued with reference to market transactions. There were no changes in valuation techniques during 2017.

Description	Valuation Approach	Valuation Technique	Unobservable Inputs	Range (weighted average)
Buildings & improvements	Cost Approach	Depreciated Replacement Cost	Cost (per Sq metre) Effective Life (yrs)	\$1 - \$ 10 500 20 - 60 years
Leasehold improvements	Cost Approach	Depreciated Replacement Cost	Cost (per Sq metre) Effective Life (yrs)	\$500 - \$1 200 Term of Lease - 25 years
Computing and communications equipment*	Cost Approach	Depreciated Replacement Cost		
Vehicles & transport vessels*	Cost Approach	Depreciated Replacement Cost		
Aircrafts	Cost Approach	Depreciated Replacement Cost		
Other*	Cost Approach	Depreciated Replacement Cost		

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21 Fair value measurement (continued)

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

Reconciliation of recurring fair value measurements – level 3

	Buildings and improvements \$'000	Leasehold improvements \$'000	Computing & communications equipment \$'000	Vehicles & transport vessels \$'000	Other \$'000
2017					
Opening balance at the beginning of the period	205 716	39 559	12 591	2 589	19 108
Asset - recognised through stocktake	-	-	87	-	60
Transfers from capital work in progress	3 417	78	6 644	1 337	5 474
Classified as held for sale and/or disposals	-	-	-	(5)	-
Donated Assets	-	-	-	-	4 012
Transfer between classes	-	-	(163)	-	(396)
Disposals/written off	-	(10)	(15)	(1)	(24)
Subtotal	209 133	39 627	19 144	3 920	28 234
Gains/(losses) for the period recognised in net result:					
Depreciation	(6 365)	(4 131)	(5 395)	(1 130)	(4 008)
Subtotal	(6 365)	(4 131)	(5 395)	(1 130)	(4 008)
Carrying amount at the end of the period	202 768	35 496	13 749	2 790	24 226
 Opening balance at the beginning of the period	205 325	41 482	13 741	2 911	18 163
Prior year adjustments	-	-	16	-	158
Additions	-	-	-	-	12
Revaluation increment	6 135	712	-	-	-
Transfers from capital work in progress	599	802	3 222	882	3 030
Donated Assets	-	-	-	-	2 312
Disposals/written off	(78)	(66)	(159)	(87)	(95)
Subtotal	211 981	42 930	16 820	3 706	23 580
Gains/(losses) for the period recognised in net result:					
Depreciation	(6 265)	(3 371)	(4 229)	(1 117)	(4 472)
Subtotal	(6 265)	(3 371)	(4 229)	(1 117)	(4 472)
Carrying amount at the end of the period	205 716	39 559	12 591	2 589	19 108

Other items such as motor vehicles, weapons and other plant and equipment have not been revalued as they do not meet the revaluation criteria in APF III *Asset Accounting Framework* (i.e. fair value at the time of acquisition is less than \$1 million). The carrying amount of these assets is deemed to be fair value.

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22 Payables

	2017	2016
	\$'000	\$'000
Current payables		
Employment on-costs	10 956	10 974
Creditors	27 133	13 412
Accrued expenses	1 874	492
Paid Parental Leave Scheme payable	45	76
Total current payables	40 008	24 954
Non-current payables		
Employment on-costs	24 527	22 310
Total non-current payables	24 527	22 310

As a result of analysing historical data, the average proportion of long service leave taken as leave has increased to 70.72% (2016: 62.65%) for police and increased to 88.77% (2016: 76.30%) for non-police. The rates used are based on historical trends and are used to calculate employment on-costs. The net financial impact of these changes is immaterial.

The average factor for the calculation of employer superannuation on-cost has also changed from the 2016 rate (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 immaterial.

Interest rate and credit risk

Payables are measured at nominal amounts.

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

23 Other liabilities

	2017	2016
	\$'000	\$'000
Current other liabilities		
Lease incentive	499	499
Unearned revenue	30	-
Total current other liabilities	529	499
Non-current other liabilities		
Lease incentive	4 078	4 577
Total non-current other liabilities	4 078	4 577

In 2011-12, SAPOL received two lease incentives (\$5 million in leasehold improvements and 3 months' rent free) as a part of leasing the new police headquarters on Angas Street. The aggregate benefits of these lease incentives received have been recorded as a reduction of rental expense over the lease term of 15 years, on a straight line basis. As at 30 June 2017 the remaining life of the lease term is 9 years.

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

24 Employee benefits

	2017	2016
	\$'000	\$'000
Current employee benefits		
Accrued salaries and wages	16 095	22 607
Annual leave	36 583	33 691
Long service leave	14 749	14 139
Skills and experience retention leave	492	491
Police services leave	1 812	2 204
Total current employee benefits	69 731	73 132
Non-current employee benefits		
Annual leave	608	811
Long service leave	188 521	183 312
Police services leave	2 774	3 963
Total non-current employee benefits	191 903	188 086
Total employee benefits	261 634	261 218

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave. 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 2% (2016) to 2.5% (2017).

This increase in 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 an increase in long service leave liability and employee benefit expenses of \$7.395 million. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4% for LSL liability and the salary inflation rate 3% in 2017 same as last year for annual leave, SERL liability and Police Service Leave.

The net financial effect of the changes in the current financial year is nil in the annual leave, SERL liability, police services leave and employee benefit expense.

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

25 Provisions

	2017	2016
	\$'000	\$'000
Current provisions		
Workers' compensation	18 131	17 831
Injury and income protection policy	1 031	-
Death in course of employment	40	55
Civil actions against police	348	230
Total current provisions	19 550	18 116
Non-current provisions		
Workers' compensation	63 023	58 817
Injury and income protection policy	14 204	-
Total non-current provisions	77 227	58 817
Workers' compensation:		
Carrying amount at the beginning of the period	76 648	84 423
Increase/(decrease) resulting from re-measurement	19 207	8 738
Reduction due to payments	(14 701)	(16 513)
Carrying amount at the end of the period	81 154	76 648
Injury and income protection policy:		
Carrying amount at the beginning of the period	-	-
Additional provision recognised	15 235	-
Carrying amount at the end of the period	15 235	-
Death in course of employment		
Carrying amount at the beginning of the period	55	-
Increase/(decrease) in the provision due to revision of estimates	(15)	55
Carrying amount at the end of the period	40	55
Civil actions against police:		
Carrying amount at the beginning of the period	230	220
Increase in the provision due to revision of estimates	822	215
Reduction due to payments	(704)	(205)
Carrying amount at the end of the period	348	230

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

26 Cash flow reconciliation

	2017	2016
	\$'000	\$'000
Reconciliation of cash and cash equivalents		
Cash at year end as per:		
Cash and cash equivalents disclosed in the Statement of Financial Position	174 225	115 096
Cash and cash equivalents disclosed in the Statement of Cash Flows	174 225	115 096
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash provided by operating activities	78 262	10 876
Revenues from SA Government	(791 707)	(766 892)
Contribution from the Community Emergency Services Fund	(21 798)	(21 267)
Contribution from Community Road Safety Fund	(40 258)	(39 275)
Payments to SA Government	832	29 821
Non-cash Items:		
Depreciation and amortisation	(28 079)	(25 515)
Donated assets	4 012	2 312
Net gain/(loss) from disposal of non-current assets	118	301
Write off of non-current assets	(43)	(718)
Capital work-in-progress expensed	-	(20)
Impairment loss	(710)	(69)
Capital accruals	90	1 449
Movements in assets and liabilities:		
(Decrease)/increase in receivables	(22 011)	21 003
Increase in inventories	183	31
(Increase)/decrease in payables	(17 265)	7 247
Decrease in other liabilities	469	499
(Increase) in employee benefits	(416)	(16 875)
(Increase)/decrease in provisions	(19 844)	7 710
Net cost of providing services	(858 165)	(789 382)

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

27 Transactions with SA Government

		SA Government		Non-SA Government		Total	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
EXPENSES							
Employee benefits expenses	5	32 406	30 963	688 781	632 075	721 187	663 038
Supplies and services	6						
Accommodation and property related		26 894	25 285	7 084	6 611	33 978	31 896
Administration		1 633	1 008	18 454	15 121	20 087	16 129
Collection costs		234	440	581	472	815	912
Communication and computing		9 383	10 244	19 775	15 494	29 158	25 738
Consultants		3	1	137	98	140	99
Employee programs & housing subsidies		-	8 224	10 953	2 205	10 953	10 429
Helicopter costs		1 129	3 236	49	-	1 178	3 236
Insurance		1 556	1 455	6	41	1 562	1 496
Legal		398	1 299	1 580	384	1 978	1 683
Minor equipment		16	42	4 258	5 765	4 274	5 807
Motor vehicle related		415	207	22 171	22 921	22 586	23 128
Shared Services SA		3 315	3 085	-	-	3 315	3 085
Uniforms		-	-	2 933	2 110	2 933	2 110
Utilities		979	1 524	2 855	2 578	3 834	4 102
Other		-	1 272	9 292	5 428	9 292	6 700
Depreciation and amortisation	7	-	-	28 079	25 515	28 079	25 515
Write down of non-current assets		43	-	-	718	43	718
Impairment loss	20	-	-	710	69	710	69
Payments to SA Government	13	832	29 821	-	-	832	29 821
TOTAL EXPENSES		79 236	118 106	817 698	737 605	896 934	855 711
INCOME							
Fees and charges	8						
Escorts - wide load/other		-	-	2 119	2 156	2 119	2 156
Firearms licence and registration fees		-	-	5 472	5 210	5 472	5 210
Hoon legislation recoveries		-	-	3 119	3 430	3 119	3 430
Police information requests		181	202	2 232	2 563	2 413	2 765
Police security services		10 619	9 947	-	1	10 619	9 948
Prosecution and other court fees		-	-	1 973	2 089	1 973	2 089
Other fees		10	3	905	860	915	863
Interest	9	-	-	3	4	3	4
Commonwealth revenues	10	-	-	1 658	1 313	1 658	1 313
Net gain from the disposal of non-current assets	11	-	-	118	301	118	301

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

Note 27: Transactions with SA Government (continued)

	Note	SA Government		Non-SA Government		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Other income	12						
Contributed (donated) asset revenue		3 680	1 622	332	691	4 012	2 313
Employee benefits recoveries		69	1 528	769	191	838	1 719
Goods and services recoveries		974	86	1 015	1 549	1 989	1 635
Gain on foreign exchange		-	-	-	203	-	203
Intra-Government transfers		904	784	-	-	904	784
Rent revenue		152	165	180	181	332	346
Sundry receipts		-	114	440	669	440	783
Other sundry revenues		38	229	975	417	1 013	646
Revenues from SA Government	13	853 763	827 434	-	-	853 763	827 434
TOTAL INCOME		870 390	842 114	21 310	21 828	891 700	863 942
FINANCIAL ASSETS							
Cash & cash equivalents	14	174 225	115 096	-	-	174 225	115 096
Receivables	15						
Receivables		1 358	22 212	1 101	845	2 459	23 057
Accrued revenue		9	156	346	-	355	156
Prepayments		-	28	3 138	3 969	3 138	3 997
GST input tax recoverable		-	-	2 791	3 302	2 791	3 302
Workers compensation recoveries		1 498	1 740	-	-	1 498	1 740
TOTAL FINANCIAL ASSETS		177 090	139 232	7 376	8 116	184 466	147 348
FINANCIAL LIABILITIES							
Payables	22						
Employment on-costs		14 011	13 768	21 472	19 516	35 483	33 284
Creditors and accrued expenses		5 874	8 185	23 133	5 719	29 007	13 904
Paid Parental Leave Scheme payable		-	-	45	76	45	76
Other liabilities	23	4 577	5 076	30	-	4 607	5 076
TOTAL FINANCIAL LIABILITIES		24 462	27 029	44 680	25 311	69 142	52 340

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

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

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. However, these amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes.

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

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

		Original budget 2017 \$'000	Actual 2017 \$'000	Variance \$'000
Statement of Comprehensive Income	Note			
Expenses				
Employee benefits	1	692 446	721 187	28 741
Supplies and services	2	166 123	146 083	(20 040)
Depreciation and amortisation		24 080	28 079	3 999
Write down of non-current assets		-	43	43
Impairment loss		-	710	710
Total expenses		882 649	896 102	13 453
Income				
Fees and charges		28 108	26 630	(1 478)
Interest		-	3	3
Commonwealth revenues		-	1 658	1 658
Net gain from the disposal of non-current and other assets		-	118	118
Other income	3	4 804	9 528	4 724
Total income		32 912	37 937	5 025
Net cost of providing services		849 737	858 165	8 428
Revenues from (payments to) SA government				
Revenues from SA government		790 854	791 707	853
Contributions from the Community Emergency Services Fund		21 799	21 798	(1)
Contributions from the Community Road Safety Fund		40 335	40 258	(77)
Payments to SA government		(1 570)	(832)	738
Net revenues from SA Government		851 418	852 931	1 513
Net result		1 681	(5 234)	(6 915)

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.

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

28 Budgetary reporting and explanations of major variances between budget and actual amounts (continued)

		Original budget 2017 \$'000	Actual 2017 \$'000	Variance \$'000
Investing expenditure summary	Note			
Total major project	4	14 089	6 835	(7,254)
Total annual program	5	10 437	12 599	2,162
Total investing expenditure		24 526	19 434	(5 092)

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.

Notes

1. 2016/17 original budget was adjusted during the year for approved adjustments that included reclassification between supplies and services and employee benefit expenses. The approved revised budget was \$708.1 million with actual expenditure higher at \$721.187 million that includes bringing into account for the first time Injury and Income Protection Scheme workers' compensation liability.
2. 2016/17 original budget was adjusted during the year for approved adjustments that included reclassification between supplies and services and employee benefit expenses. The approved revised budget was \$147.9 million with actual expenditure slightly lower at \$146.083 million.
3. Other income was higher than original budget due to helicopter equipment donated from the Attorney-General's Department and higher recoveries.
4. SAPOL's major projects include the Henley Beach Police Station and Police Records Management Stage 2-4. The 2016-17 Original Budget was adjusted during the year to take account of approved adjustments, including re-phasing of budget to 2017-18.

The approved revised budget was \$9.597 million compared to actual expenditure of \$6.835 million.

SAPOL forecast savings of \$1.6 million to the Department of Treasury and Finance on the Henley Beach Police Station project. SAPOL intends to seek carryover of committed under expenditure balances with the Department of Treasury and Finance as part of the carryover process.

5. The 2016-17 Original Budget was adjusted during the year to take account of approved adjustments, including reclassification of \$2.8 million from supplies and services. SAPOL actual spend was marginally below approved revised budget of \$13.012 million.

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

29 Unrecognised contractual commitments

Capital commitments

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

	2017 \$'000	2016 \$'000
No later than one year	560	3 377
Later than one year but not later than five years	216	477
Total capital commitments	776	3 854

Major capital commitments for 2016-17 include General Duty Police Motor Cycles. (2015-16 include Project Shield, Rimage Replacement, RADARS IT Replacement Program, NUIX Replacement, Firearms Training Simulator and General Duty Police Motorcycle)

Other commitments

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

	2017 \$'000	2016 \$'000
No later than one year	4 843	3 144
Later than one year but not later than five years	1 438	885
Later than five years	-	-
Total other commitments	6 281	4 029

Major other expenditure commitments for 2016-17 include Cleaning Services (Zippy) and Helicopter Standing Charges (SHRS Services).

Operating lease commitments

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

	2017 \$'000	2016 \$'000
No later than one year	31 673	30 721
Later than one year but not later than five years	101 955	97 129
Later than five years	123 405	137 377
Total operating lease commitments	257 033	265 227

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

29 Unrecognised contractual commitments (continued)

The property leases are non-cancellable with rental payable in advance. Contingent rental provisions within the lease agreements require minimum lease payments to be increased periodically and generally in line with CPI movements and market conditions. Options exist to renew property leases at the end of the term of the leases. Operating lease commitments include commitments for PPP leases related to SAPOL occupancies only. From 2012 commitments also include the lease for the new police headquarters on Angas Street.

30 Contingent liabilities

Rewards for unsolved murders

As at 30 June 2017 the value of outstanding rewards for unsolved murders was \$38.8 million (2016: \$33.8 million). No provision has been made in the financial statements for this amount as considerable doubt exists as to the amount and timing of rewards that will actually be paid. The amount is not recognised in the Statement of Financial Position.

31 Remuneration of tribunal and committee members

All members of the Board/Committees, including those who may have resigned or their term had expired during the financial year, are listed below:

Firearms Review Committee

Mr Bevan, Owen	deputy member	term expired	30 June 2017
Ms Dodd, Heather		term expired	30 June 2017
Ms Hill, Yvonne		term expired	30 June 2017
Mr Hyde, Geoffrey		term expired	30 June 2017
Mr Katsaras, George		term expired	30 June 2017
Ms Kosmala, Elizabeth	deputy member	term expired	30 June 2017
Mr Langmead, James		term expired	30 June 2017
Mr Maine, Ronald	deputy member	term expired	30 June 2017
Mr Manley, John	deputy member	term expired	30 June 2017
Mr Rymill, Thomas	deputy member	term expired	30 June 2017
Ms Wangel, Ingrid	deputy member	term expired	30 June 2017
Mr Warwick, Richard		term expired	30 June 2017

Police Review Tribunal:

Mr Swain, David	Presiding Officer	reappointed	15 March 2017
Mr Gurry, David	Deputy Presiding Officer	resigned	10 April 2017

	2017	2016
The number of members whose remuneration received or receivable falls within the following bands:		
\$0 - \$9 999	14	15
Total number of members	14	15

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

31 Remuneration of tribunal and committee members (continued)

Remuneration of members reflects all costs of performing tribunal/committee member duties including sitting fees, superannuation contributions, FBT and salary sacrifice arrangements. The total remuneration received or receivable by members was \$23 000 (2016: \$26 000).

Amounts paid to a superannuation plan for Tribunal/Committee members were \$1000 (2016: \$1 500).

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

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

* In accordance with Premier and Cabinet Circular 16 *Remuneration for Government Appointed Part-time Boards and Committees*, government employees did not receive any remuneration for Tribunal/Committee duties during the financial year.

32 Related Party Transactions

SAPOL is a government administrative unit and is wholly owned and controlled by the Crown.

Related parties of the SAPOL 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

SAPOL 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 SAPOL and other SA Government controlled entities are disclosed at note 27.

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

32 Related Party Transactions (continued)

Key management personnel

Key management personnel of SAPOL include:

- Minister for Police
- Commissioner of Police *
- Deputy of Commissioner of Police
- Assistant Commissioner, Crime Service
- Assistant Commissioner, Governance and Accountability Service
- Assistant Commissioner, Human Resources Service
- Assistant Commissioner, Metropolitan Operations Service
- Assistant Commissioner, Operations Support Service
- Assistant Commissioner, Security & Emergency Management Service
- Assistant Commissioner, State Operations Service
- Director, Business Service
- Director, Information Systems & Technology Service

The compensation detailed below excludes salaries and other benefits the Minister of Police 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 \$'000
Compensation	
Salaries and other short term employee benefits	3 081
Post-employment benefits	527
Total	3 608

* Commissioner Stevens is a KMP for SAPOL and is funded from 'Recurrent Expenditure – Special Act' that is an Administered Item where his remuneration payments are reported

Transactions with key management personnel and other related parties

- SAPOL had no material transactions or balanced and/or transactions outside normal day-to-day operations to disclose.

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

33 Financial risk management/financial instruments

33.1 Financial risk management

Risk management is managed by SAPOL's Financial Management Services Branch (FMSB) and SAPOL's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

SAPOL 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.

Liquidity risk

Liquidity risk arises from the possibility that SAPOL is unable to meet its financial obligations as they are due to be settled. SAPOL is funded principally from appropriations by the SA Government. SAPOL works with DTF 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. SAPOL 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. SAPOL's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Credit risk

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

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Currently SAPOL does not hold any collateral as security for any of its financial assets. There is no evidence to indicate that financial assets are impaired.

South Australia Police
Notes to and forming part of the Financial Statements
for the year ended June 2017

33.2 Categorisation of financial instruments

For 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 refer to note 2.

The carrying amounts of each of the following categories of financial assets and liabilities: receivables; and payables measured at cost are detailed below:

SAPOL 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, 15 and 22).

	Note	2017			2016		
		Classification in fair value hierarchy			Classification in fair value hierarchy		
		Level 1 \$'000	Level 2 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Total \$'000
Financial assets							
Cash and cash equivalents							
Cash and cash equivalents	14	-	174 225	174 225	-	115 096	115 096
Loans and receivables							
Receivables ⁽¹⁾⁽²⁾		-	2 622	2 622	-	2 020	2 020
Financial liabilities							
Financial liabilities at cost							
Payables ⁽¹⁾		-	17 854	17 854	-	10 938	10 938

⁽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 levies, receivables/payables, tax equivalents, commonwealth tax, etc. they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

⁽²⁾ Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 15 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.

South Australia Police
Statement of Administered Comprehensive Income
for the year ended 30 June 2017

		2017	2016
	Notes	\$'000	\$'000
Expenses			
Employee benefits	A3	401	1 084
Supplies and services	A4	2 310	2 336
Intra-government transfers		11 528	12 417
Total expenses		14 239	15 837
Income			
Fees, fines and charges	A5	80 383	84 276
Total Income		80 383	84 276
Revenues from (payments to) SA Government			
Revenues from SA Government	A6	690	1 261
Payments to SA Government	A6	(66 605)	(69 630)
Net (payments to) SA Government		(65 915)	(68 369)
Net result		229	70
Total comprehensive result		229	70

South Australia Police
Statement of Administered Financial Position
as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	A7	14 108	10 780
Receivables	A8	216	210
Total current assets		14 324	10 990
Total assets		14 324	10 990
LIABILITIES			
Current liabilities			
Other liabilities	A9	13 491	10 386
Total current liabilities		13 491	10 386
Total liabilities		13 491	10 386
Net assets		833	604
EQUITY			
Retained Earnings		833	604
Total equity		833	604

South Australia Police
Statement of Administered Changes in Equity
for the year ended 30 June 2017

	Retained Earnings \$'000
Balance at 30 June 2015	534
Prior period adjustment	-
Adjusted balance at 30 June 2015	<u>534</u>
Net result for 2015-16	<u>70</u>
Total comprehensive result for 2015-16	<u>70</u>
Balance at 30 June 2016	<u>604</u>
Net result for 2016-17	<u>229</u>
Total comprehensive result for 2016-17	<u>229</u>
Balance at 30 June 2017	<u>833</u>

South Australia Police
Statement of Administered Cash Flows
for the year ended June 2017

	Notes	2017 \$'000	2016 \$'000
		Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities			
Cash outflows			
Employee benefits		(401)	(1 084)
Supplies and services		(2 317)	(2 322)
Intra-government transfers		(11 528)	(12 417)
Cash (used in) operations		(14 246)	(15 823)
Cash inflows			
Fees, fines and charges		80 383	84 276
Exhibit monies		309	(595)
Unclaimed property		(25)	(202)
Cash generated from operations		80 667	83 479
Cash flows from SA Government			
Receipts from SA Government		684	1 286
Payments to SA Government		(63 777)	(72 198)
Net Cash paid to SA Government		(63 093)	(70 912)
Net cash from/(used by) operating activities	A10	3 328	(3 256)
Net increase/(decrease) in cash and cash equivalents		3 328	(3 256)
Cash and cash equivalents at the beginning of the period		10 780	14 036
Cash and cash equivalents at the end of the period	A7	14 108	10 780

South Australia Police
Schedule of Expenses and Income attributable to Administered Items
for the year ended June 2017

	Expiation Fees (1)		Victims of Crime Levy (2)		Special Acts (3)		Public Private Partnership (PPP) (4)	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses								
Employee benefits	-	-	-	-	401	1 084	-	-
Supplies and services	-	-	-	-	-	-	2 310	2 287
Intra-government transfers	-	-	11 327	12 225	-	-	-	-
Total expenses	-	-	11 327	12 225	401	1 084	2 310	2 287
Income								
Fees, fines and charges	66 605	69 632	11 327	12 225	-	-	2 310	2 287
Total income	66 605	69 632	11 327	12 225	-	-	2 310	2 287
Revenue from (payments to) SA Government								
Revenues from SA Government	-	-	-	-	476	1 084	-	-
Payments to SA Government	(66 605)	(69 630)	-	-	-	-	-	-
Net revenues from (payments to) SA Government	(66 605)	(69 630)	-	-	476	1 084	-	-
Net result	-	2	-	-	75	-	-	-

South Australia Police
Schedule of Expenses and Income attributable to Administered Items
for the year ended June 2017

	Firearms Safety Training Levy (5)		Other (6)		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses						
Employee benefits	-	-	-	-	401	1 084
Supplies and services	-	-	-	49	2 310	2 336
Intra-government transfers	141	132	60	60	11 528	12 417
Total expenses	141	132	60	109	14 239	15 837
Income						
Fees, fines and charges	141	132	-	-	80 383	84 276
Total income	141	132	-	-	80 383	84 276
Revenue from (payments to) SA Government						
Revenues from SA Government	-	-	214	177	690	1 261
Payments to SA Government	-	-	-	-	(66 605)	(69 630)
Net revenues from (payments to) SA Government	-	-	214	177	(65 915)	(68 369)
Net result	-	-	154	68	229	70

South Australia Police
Schedule of Assets and Liabilities attributable to Administered Items
as at 30 June 2017

	Unclaimed Property (1)		Exhibit Monies (2)		Expiation Fees (3)		Victims of Crime Levy (4)		Special Acts (5)	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current assets										
Cash and cash equivalents	142	167	7 008	6 699	5 133	2 240	960	1 026	57	11
Receivables	-	-	-	-	-	-	-	-	-	-
Total current assets	142	167	7 008	6 699	5 133	2 240	960	1 026	57	11
Current liabilities										
Other liabilities	142	167	7 008	6 699	5 133	2 240	960	1 026	-	11
Total current liabilities	142	167	7 008	6 699	5 133	2 240	960	1 026	-	11
Total liabilities	142	167	7 008	6 699	5 133	2 240	960	1 026	-	11
Net assets	-	-	-	-	-	-	-	-	57	-

South Australia Police
Schedule of Assets and Liabilities attributable to Administered Items
as at 30 June 2017

	Public Private Partnership (6)		Firearms Safety Training Levy (7)		Other (8)		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current assets								
Cash and cash equivalents	-	2	32	31	776	604	14 108	10 780
Receivables	216	210	-	-	-	-	216	210
Total current assets	216	212	32	31	776	604	14 324	10 990
Current liabilities								
Other liabilities	216	212	32	31	-	-	13 491	10 386
Total current liabilities	216	212	32	31	-	-	13 491	10 386
Total liabilities	216	212	32	31	-	-	13 491	10 386
Net assets	-	-	-	-	776	604	833	604

South Australia Police
Notes to and forming part of the Financial Statements

- A1 Summary of significant accounting policies
- A2 Administered items
- A3 Employee benefits
- A4 Supplies and services
- A5 Fees, fines and charges
- A6 Revenues from (payments to) SA Government
- A7 Cash and cash equivalents
- A8 Receivables
- A9 Other liabilities
- A10 Cash flow reconciliation
- A11 Transactions with SA Government
- A12 Unrecognised contractual commitments
- A13 Budgetary reporting and explanations of major variances between budget and actual amounts

South Australia Police
Notes to and forming part of the Administered Financial Statements
For the year ended 30 June 2017

A1 Significant accounting policies

All accounting policies for South Australia Police (SAPOL) are contained in note 2. The policies outlined in note 2 apply to both SAPOL and the administered items financial statements except as noted below.

A1.1 Departures from SAPOL 'Significant accounting policies'

Basis of accounting

Income from expiation fees, Victims of Crime Levy, fees and appropriations from the consolidated account are recognised on a cash basis. All other elements of SAPOL's Statement of Administered Comprehensive Income, Statement of Administered Financial Position and Statement of Administered Changes in Equity have been prepared on an accrual basis.

A2 Administered items

The following financial transactions are administered by SAPOL as at 30 June 2017. They do not represent controlled transactions of SAPOL. As such they are not recognised in the financial statements of SAPOL.

A2.1 Unclaimed property

SAPOL holds unclaimed monies and proceeds from disposal of found properties. These monies are held for a period of six months and are then passed to government. SAPOL treats these items in accordance with *Police Regulations 2014*.

A2.2 Exhibit monies

SAPOL holds exhibit property being items confiscated at the time of an offence, (i.e. items found at a crime scene or which were part of a theft). These items are held as an exhibit which may be presented to the court as evidence at the time the offence is heard. The court may decide that the items are returned or confiscated and passed to the government.

A2.3 Expiation fees

SAPOL as a central processing agency of expiation notices collects expiation revenue arising from expiation notices issued by police officers and other authorised officers. SAPOL treats the collected expiation revenue pursuant to the requirements of the *Expiation of Offences Act 1996*. Monies collected are paid into the Consolidated Account.

A2.4 Victims of Crime Levy

SAPOL as a central processing agency of expiation notices collects Victims of Crime expiation revenue arising from the expiation of offences included on expiation notices issued by police officers and other authorised officers. SAPOL treats the collected Victims of Crime Levy revenue pursuant to the requirements of the *Victims of Crime Act 2001*. Monies collected are paid into the Victims of Crime Fund operated by the Attorney-General's Department. These are shown as intra government transfers in the Statement of Administered Comprehensive Income.

A2.5 Special Acts

SAPOL receives separate appropriation for the payment of salaries in relation to the Commissioner of Police. Funding is provided under 'Recurrent Expenditure - Special Acts'. From 2014-15 employee related expenditure in Administered items reflects cash payments only. The employee related liabilities are recorded as SAPOL Controlled items.

South Australia Police
Notes to and forming part of the Administered Financial Statements
For the year ended 30 June 2017

A2 Administered items (continued)

A2.6 Public Private Partnership

In May 2005 Cabinet approved the execution of a 25 year service contract with Plenary Justice Pty Ltd (Plenary) for regional police stations for SAPOL and courts for the Courts Administration Authority (CAA).

In June 2005 the Minister of Infrastructure signed a project agreement.

The public private partnership (PPP) includes court facilities at Port Lincoln, Victor Harbor, Berri and Port Pirie.

For accounting purposes the lease is an operating lease.

Under the PPP agreement SAPOL is responsible for paying lease payments to Plenary for sites occupied by both SAPOL and CAA. SAPOL invoices CAA for the sites that they occupy.

A2.7 Firearms Safety Training Levy

SAPOL collects the Firearms Safety Training Levy as part of firearms licence fees. The Firearms Safety Training Levy is transferred to TAFE SA. The levy subsidises compulsory Firearms Safety Training, run by TAFE SA that all applicants for firearms licences must undertake before being issued with their firearms licence.

A2.8 Other

SAPOL receives appropriation with respect to a grant payment for a Community Service Obligation payment to South Australian Water Corporation. Activities for Safer Communities and Australian Crime Prevention Council ceased during 2015-16.

SAPOL has no control over the use of the funds listed above.

South Australia Police
Notes to and forming part of the Administered Financial Statements
For the year ended 30 June 2017

A3 Employee benefits

	2017	2016
	\$'000	\$'000
Salaries and wages	401	1 084
Total employee benefits	401	1 084

The increase in 2015-16 relates to the former Commissioner's leave paid on termination. The current Commissioner's entitlements in 2015-16 included leave paid as a lump sum in lieu of taken annual leave. The total salaries and wages paid was funded from consolidated account pursuant to the *Police Act 1998*.

A4 Supplies and services

	2017	2016
	\$'000	\$'000
PPP lease payments*	2 310	2 287
Other	-	49
Total supplies and services	2 310	2 336

* This relates to PPP lease payments on behalf of CAA (refer note A2.6). The expenditure is offset by cost recovery from CAA.

A5 Fees, fines and charges

	2017	2016
	\$'000	\$'000
Expiation revenue	66 605	69 632
PPP cost recovery*	2 310	2 287
Victims of Crime Levy	11 327	12 225
Firearms Safety Training Levy	141	132
Total fees, fines and charges	80 383	84 276

* This amount includes cost recovery from the CAA for PPP lease payments (refer note A2.6)

A6 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>	214	177
Appropriations from consolidated account pursuant to the <i>Police Act 1998</i>	476	1 084
Total revenues from SA Government	690	1 261
Payments to SA Government		
Other payments to the consolidated account*	(66 605)	(69 630)
Total payments to SA Government	(66 605)	(69 630)
Net (payments to) SA Government	(65 915)	(68 369)

* This amount does not include a dividend/distribution to the SA Government as owner.

South Australia Police
Notes to and forming part of the Administered Financial Statements
For the year ended 30 June 2017

A7 Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Deposits with the Treasurer	14 108	10 780
Total cash and cash equivalents	14 108	10 780

A8 Receivables

	2017	2016
	\$'000	\$'000
Receivables		
Receivables	216	210
Total receivables	216	210

A9 Other liabilities

	2017	2016
	\$'000	\$'000
Current other liabilities		
Funds payable to SA Government	6 125	3 308
Exhibit monies held	7 008	6 699
Unclaimed property held for SA Government	142	167
Other payable to non-SA government	216	212
Total other liabilities	13 491	10 386

All payable amounts disclosed above are expected to be paid within 12 months after reporting date

A10 Cash flow reconciliation

	2017	2016
	\$'000	\$'000
Reconciliation of cash and cash equivalents		
Cash at year end as per:		
Cash and cash equivalents disclosed in the Statement of Administered Financial Position	14 108	10 780
Cash and cash equivalents disclosed in the Statement of Administered Cash Flows	14 108	10 780
Reconciliation of net cash (used in) operating activities to net result		
Net cash (used in) operating activities	3 328	(3 256)
Add/less non-cash items		
Movements in assets and liabilities:		
Increase/(decrease) in receivables	6	(25)
(Increase)/decrease in payables and employee benefits	-	-
(Increase)/decrease in other liabilities	(3 105)	3 351
Net Result	229	70

South Australia Police
Notes to and forming part of the Administered Financial Statements
For the year ended 30 June 2017

A11 Transactions with SA Government

		SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES							
Employee benefits expense	A3	-	-	401	1 084	401	1 084
Supplies and services	A4						
PPP lease payments		-	-	2 310	2 287	2 310	2 287
Other		-	-	-	49	-	49
Intra-government transfers	A4	11 528	12 417	-	-	11 528	12 417
Payments to SA Government	A6	66 605	69 630	-	-	66 605	69 630
TOTAL EXPENSES		78 133	82 047	2 711	3 420	80 844	85 467
INCOME							
Fees fines and charges	A5						
Expiation revenue		-	-	66 605	69 632	66 605	69 632
PPP cost recovery		2 310	2 287	-	-	2 310	2 287
Victims of Crime Levy		-	-	11 327	12 225	11 327	12 225
Firearms Safety Training Levy		-	-	141	132	141	132
Revenue from government	A6	690	1 261	-	-	690	1 261
TOTAL INCOME		3 000	3 548	78 073	81 989	81 073	85 537
FINANCIAL ASSETS							
Cash and cash equivalents	A7	14 108	10 780	-	-	14 108	10 780
Receivables	A8	216	210	-	-	216	210
TOTAL FINANCIAL ASSETS		14 324	10 990	-	-	14 324	10 990
FINANCIAL LIABILITIES							
Other Liabilities	A9						
Funds payable to SA Government		6 125	3 308	-	-	6 125	3 308
Exhibit monies held		7 008	6 699	-	-	7 008	6 699
Unclaimed property held for SA Government		142	167	-	-	142	167
Other payable to non-SA Government		-	-	216	212	216	212
TOTAL FINANCIAL LIABILITIES		13 275	10 174	216	212	13 491	10 386

South Australia Police
Notes to and forming part of the Administered Financial Statements
For the year ended 30 June 2017

A12 Unrecognised contractual commitments

Operating lease commitments

	2017	2016
	\$'000	\$'000
Not later than one year	2 374	2 335
Later than one year but not later than five years	10 251	10 126
Later than five years	21 871	25 291
Total operating lease commitments	34 496	37 752

The property leases are non-cancellable with rental payable in advance. Contingent rental provisions within the lease agreements require minimum lease payments to be increased periodically and generally in line with CPI movements and market conditions.

Options exist to renew property leases at the end of the term of the leases.

Operating lease commitments include commitments for PPP leases related to CAA occupancies only.

South Australia Police
Notes to and forming part of the Administered Financial Statements
For the year ended 30 June 2017

A13 Budgetary reporting and explanations of major variances between budget and actual amounts

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. The following are brief explanations of variances between original budget and actual amounts. Explanations are provided for variances where variances exceeds the greater of 10% of the original budgeted amount and 5% of the original budgeted total expenses.

	Note	Original Budget ¹ 2017 \$'000	Actual 2017 \$'000	Variance \$'000
Statement of Comprehensive Income				
Expenses				
Employee benefits expense	1	456	401	(55)
Supplies and services		2 517	2 310	(207)
Intra-government transfers	2	14 746	11 528	(3 218)
Total expenses		17 719	14 239	(3 480)
Income				
Fees and charges	3	99 294	80 383	(18 911)
Total income		99 294	80 383	(18 911)
Net cost of providing services		81 575	66 144	(15 431)
Revenues from/payments to SA Govt				
Revenue from SA Govt	4	645	690	45
Payments to SA Govt	4	(82 220)	(66 605)	15 615
Net Revenues from (payments to) SA Government		(81 575)	(65 915)	15 660
Net result		-	229	229
Total comprehensive result		-	229	229

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 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.

Note

- Employee benefits expense – the 2016-17 budget has been developed incrementally based on prior years. The actual for 2016-17 is based on the current Commissioner.
- Intra-government transfers – Intra-government transfers mainly relate to Victims of Crime Levy receipts transferred to the Attorney-General's Department. The 2016-17 original budget was adjusted during the year for approved adjustments, mainly a volume adjustment based on expiated revenue trends and payment behaviour over the last three years. The approved revised budget was \$12.416 million compared to actual expenditure of \$11.528 million reflecting actual VOCL received.
- Fees and charges – The 2016-17 original budget was adjusted during the year for approved adjustments, mainly a volume adjustment based on expiated revenue trends and payment behaviour over the last three years. The approved revised budget was \$82.570 million compared to actual income of \$80.383 million that was slightly lower due to lower expiation volumes.
- Payment to SA Government – The 2016-17 original budget was adjusted during the year for approved adjustments, mainly a volume adjustment based on expiated revenue trends and payment behaviour over the last three years. The approved revised budget was \$67.826 million compared to actual payment that was slightly lower at \$66.605 million reflecting actual fees received.

SAPOL has no budget or actual investing expenditure under Administered Items.

South Australia Police
Statement of comprehensive income
for the year ended 30 June 2017

We certify that the attached general purpose financial statements for the South Australia Police:

- 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 South Australia Police
- present a true and fair view of the financial position of the South Australia Police 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 South Australia Police for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Grant Stevens
Commissioner of Police
15/09/2017



Denis Patriarca
Director, Business Service
14/09/2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Commissioner of Police South Australia Police

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the South Australia Police 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 South Australia Police 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
- 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 items for the year ended 30 June 2017
- a Schedule of Assets and Liabilities attributable to administered items as at 30 June 2017
- notes, comprising significant accounting policies and other explanatory information for administered items
- a Certificate from the Commissioner of Police and the Director, Business Service.

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 South Australia Police. 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 of Police for the financial report

The Commissioner of Police 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.

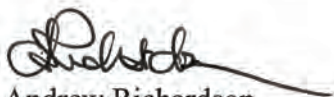
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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 Commissioner of Police
- 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 of Police 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

South Australian Country Fire Service

Financial report
for the year ended
30 June 2017

South Australian Country Fire Service
Statement of Comprehensive Income
For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Employee benefits	5	19 321	19 308
Supplies and services	6	44 570	46 867
Depreciation and amortisation	7	10 355	9 984
Grants and subsidies		389	389
Net gain(loss) from the disposal of non-current and other assets	8	196	57
Total expenses		74 831	76 605
Income			
Fees and charges	9	1 261	1 542
Grants and contributions	10	2 252	2 610
Interest		92	122
Resources received free of charge		62	-
Other	11	1 385	657
Total Income		5 052	4 931
Net cost of providing services		69 779	71 674
Revenues from SA Government:			
Revenues from SA Government	12	75 855	74 437
Total revenues from SA Government		75 855	74 437
Net result		6 076	2 763
TOTAL COMPREHENSIVE RESULT		6 076	2 763

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

South Australian Country Fire Service
Statement of Financial Position
As at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	13	18 470	13 127
Receivables	14	1 568	1 900
Other financial assets	15	2 386	2 266
Non-current assets held for sale	16	742	742
Total current assets		23 166	18 035
Non-current assets			
Property, plant and equipment	17	169 347	166 137
Intangibles	18	3	5
Total non-current assets		169 350	166 142
Total assets		192 516	184 177
Current liabilities			
Payables	20	6 037	5 158
Employee benefits	21	2 119	2 081
Provisions	22	1 989	2 562
Total current liabilities		10 145	9 801
Non-current liabilities			
Payables	20	337	334
Employee benefits	21	3 578	3 565
Provisions	22	4 364	2 461
Total non-current liabilities		8 279	6 360
Total liabilities		18 424	16 161
Net assets		174 092	168 016
Equity			
Asset revaluation surplus	23	45 703	45 703
Retained earnings	23	128 389	122 313
Total equity		174 092	168 016

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments 26

Contingent assets and liabilities 27

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

South Australian Country Fire Service
Statement of Changes in Equity
For the year ended 30 June 2017

	Note	Revaluation Surplus \$'000	Retained Earnings \$'000	Total equity \$'000
Balance at 30 June 2015		45 703	119 550	165 253
Net result for 2015-16		-	2 763	2 763
Total comprehensive result for 2015-16		-	2 763	2 763
Balance at 30 June 2016	23	45 703	122 313	168 016
Net result for 2016-17		-	6 076	6 076
Total comprehensive result for 2016-17		-	6 076	6 076
Balance at 30 June 2017	23	45 703	128 389	174 092

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

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

South Australian Country Fire Service
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 payments		(17 954)	(17 499)
Supplies and services		(50 058)	(51 482)
Grants and subsidies payments		(389)	(389)
Payments for paid parental leave scheme		(11)	(34)
Cash used in operations		(68 412)	(69 404)
Cash inflows			
Fees and charges		2 208	4 823
Receipts from grants and contributions		2 252	2 980
Interest received		88	124
GST recovered from the ATO		5 094	5 664
Receipts for paid parental leave scheme		8	36
Other receipts		1 385	302
Cash generated from operations		11 035	13 929
Cash flows from SA government			
Contributions from Community Emergency Services Fund	12	75 715	74 389
Other receipts from SA Government	12	140	48
Cash generated from SA government		75 855	74 437
Net cash provided by operating activities	25	18 478	18 962
Cash flows from investing activities			
Cash outflows			
Purchase of investments		(120)	(58)
Purchase of property, plant and equipment		(13 248)	(15 104)
Net cash (used in) investing activities		(13 368)	(15 162)
Cash inflows			
Proceeds from sale of property, plant and equipment		233	280
Cash generated from investing activities		233	280
Net cash used in investing activities		(13 135)	(14 882)
Net increase/(decrease) in cash and cash equivalents		5 343	3 992
Cash and cash equivalents at the beginning of the period		13 127	9 135
Cash and cash equivalents at the end of the period	13	18 470	13 127

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

South Australian Country Fire Service
Notes to and forming part of the financial statements
For the year ended 30 June 2017

1 Objectives and funding

Objectives

The South Australian Country Fire Service (CFS) is established under the *Fire and Emergency Services Act 2005* (the Act) and is responsible under the Act for the following functions:

- to provide services with a view to preventing the outbreak of fires, or reducing the impact of fires, in the country
- to provide efficient and responsive services in the country for the purpose of fighting fires, dealing with other emergencies or undertaking any rescue
- to protect life, property and environmental assets from fires and other emergencies occurring in the country
- to develop and maintain plans to cope with the effects of fires or emergencies in the country
- to provide services or support to assist with recovery in the event of a fire or other emergency in the country
- to perform any other function assigned to CFS by or under this or any other Act.

Funding arrangements

Funding of CFS is primarily derived from the Community Emergency Services Fund (the Fund), in accordance with the *Emergency Services Funding Act 1998*.

Funds generated by Groups and Brigades through fund raising activities are held locally for expenditure on CFS activities in the local community. These funds are recognised in CFS's financial statements.

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*.

CFS has applied Australian Accounting Standards that are applicable to not-for-profit entities as CFS 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 CFS'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:

South Australian Country Fire Service
Notes to and forming part of the financial statements
For the year ended 30 June 2017

2 Significant accounting policies (continued)

- (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items may be utilised. CFS has elected not to utilise this threshold; that is all revenue, expense, financial assets and liabilities relating to SA Government have been separately disclosed
- (b) expenses incurred as a result of engaging consultants
- (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
- (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.

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

Under the Act, CFS is a body corporate, is an agency of the Crown and part of the consolidated emergency services sector.

The financial statements include all the controlled activities of CFS.

(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) Rounding

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

(f) Taxation

CFS is not subject to income tax. CFS is liable for payroll tax, 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 GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- receivables and payables, which are stated with the amount of GST included.

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

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

South Australian Country Fire Service
Notes to and forming part of the financial statements
For the year ended 30 June 2017

2 Significant accounting policies (continued)

(g) Events after the reporting period

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

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

(h) Current and non-current classification

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

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

(i) 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.

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

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

Class of asset	Useful life (years)
Buildings	40
Vehicles	20
Communications equipment	10
Plant and equipment	10
Computer equipment	5
Intangibles	5

2 Significant accounting policies (continued)

Revaluation of non-current assets

All non-current tangible assets are valued at fair value. On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every six years and carrying amounts are adjusted accordingly.

A valuation appraisal by a Certified Practising Valuer is performed at least every six years.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, the asset is 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.

Impairment

CFS 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.

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

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 period. 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. CFS only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

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

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

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

2 Significant accounting policies (continued)

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.

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

- Level 1 - traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 - not traded in active 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 active market and are derived from unobservable inputs.

In determining fair value, CFS 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 (i.e. physically possible, legally permissible, financially feasible).

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

Refer note 19 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

(j) Liabilities

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

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

South Australian Country Fire Service
Notes to and forming part of the financial statements
For the year ended 30 June 2017

2 Significant accounting policies (continued)

(k) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

3 New and revised accounting standards and policies

CFS 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 CFS 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 Jan 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.

CFS 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 CFS's goods and services. Some revenue may need to be deferred to a later reporting period to the extent that CFS has received cash but has not yet met the associated performance obligations.

South Australian Country Fire Service
Notes to and forming part of the financial statements
For the year ended 30 June 2017

3 New and revised accounting standards and policies (continued)

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.

CFS 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.

CFS has not assessed the impact of other new and amended standards and interpretations and therefore is not able to quantify the impact on accounting policies or the financial statements of CFS.

4 Activities of South Australian Country Fire Service

In achieving its objectives, CFS provides services within two areas of activity: frontline service delivery and frontline service delivery support. These services are classified under one program titled 'Country Fire Service'.

South Australian Country Fire Service
Notes to and forming part of the financial statements
For the year ended 30 June 2017

5 Employee benefits expenses

	2017	2016
	\$'000	\$'000
Salaries and wages	12 476	12 135
Annual leave	1 131	1 124
Skills and experience retention leave	79	63
Long service leave	323	607
Employment on-costs - superannuation	1 302	1 289
Payroll tax	746	737
Workers compensation	3 081	3 163
Other employment related expenses	183	190
Total employee benefits	19 321	19 308

Remuneration of employees

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

	2017	2016
	Number	Number
\$145 000 – \$147 000*	N/A	-
\$147 001 – \$157 000	4	1
\$157 001 – \$167 000	1	2
\$197 001 – \$207 000	1	1
\$227 001 – \$237 000	1	-
\$297 001 – \$307 000	1	1
\$307 001 – \$317 000^	1	-
\$317 001 – \$327 000^^	-	1
Total	9	6

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2015-16.

^ Includes payment of long service and annual leave for 15 months

^^ Includes payment of leave entitlements on termination

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 FBT paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$1.819 million (2016: \$1.304 million).

South Australian Country Fire Service
Notes to and forming part of the financial statements
For the year ended 30 June 2017

6 Supplies and services

	2017	2016
	\$'000	\$'000
Accommodation	149	136
Aerial firefighting	7 092	9 074
Auditor's remuneration	30	29
Communications	1 004	1 079
Computing costs	1 573	1 523
Consultancy, contractor and legal fees	1 927	2 483
Consumables	1 555	1 720
Energy	805	796
Government radio network	11 087	10 817
Insurance premiums	257	224
Minor plant and equipment	2 108	1 513
Operating lease costs	2 426	2 492
Operational costs	988	1 696
Repairs and maintenance	6 251	6 219
Travel and training	2 210	2 508
Uniforms and protective clothing	2 823	2 232
Other expenses	2 285	2 326
Total supplies and services	44 570	46 867

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.

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

Audit fees paid / payable to the Auditor-General's Department relating to work performed under the PFAA were \$30 000 (2016: \$29 000). No other services were provided by the Auditor-General's Department.

Consultants

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

	2017	2016	2017	2016
	Number	Number	\$'000	\$'000
Above \$10,000	1	1	25	66
Total paid/payable to consultants engaged	1	1	25	66

South Australian Country Fire Service
Notes to and forming part of the financial statements
For the year ended 30 June 2017

7 Depreciation and amortisation expense

	2017	2016
	\$'000	\$'000
Depreciation		
Buildings	2 222	2 204
Vehicles	6 620	6 435
Computers	32	37
Plant	510	413
Communications	969	893
Total depreciation	10 353	9 982
Amortisation		
Software	2	2
Total amortisation	2	2
Total depreciation and amortisation	10 355	9 984

8 Net gain (loss) from disposal of non-current assets

	2017	2016
	\$'000	\$'000
Land and buildings		
Less: Net book value of assets disposed	(91)	-
Net gain/(loss) from disposal of land and buildings	(91)	-
Vehicles		
Proceeds from disposal	233	280
Less net book value of assets disposed	(336)	(334)
Net gain (loss) from disposal of vehicles	(103)	(54)
Plant and equipment		
Less net book value of assets disposed	(2)	(3)
Net gain (loss) from disposal of plant and equipment	(2)	(3)
Total assets		
Proceeds from disposal	233	280
Less net book value of assets disposed	(429)	(337)
Total net gain (loss) from disposal of non-current assets	(196)	(57)

South Australian Country Fire Service
Notes to and forming part of the financial statements
For the year ended 30 June 2017

9 Revenues from fees and charges

	2017	2016
	\$'000	\$'000
Fire alarm attendance fees	410	308
Fire safety fees	130	133
Fire alarm monitoring fees	241	230
Incident cost recoveries	-	459
Training and other recoveries	478	361
Other recoveries	2	51
Total fees and charges	1 261	1 542

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

10 Grants and contributions

	2017	2016
	\$'000	\$'000
Commonwealth Government	2 142	2 012
State Government	110	598
Total Grants and Contributions	2 252	2 610

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. 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.
- 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 revenues include contributions towards aerial firefighting costs through the National Aerial Firefighting Centre Ltd, contributions towards the cost of providing fire and emergency services to Commonwealth property in CFS areas and one-off project grants.

Contributions through the National Aerial Firefighting Centre Ltd can only be applied to aircraft leasing and positioning costs and must be matched by State Government funding on at least a dollar for dollar basis. Once-off project grants are subject to specific funding agreements.

11 Other income

	2017	2016
	\$'000	\$'000
Rent received	73	79
Insurance recoveries	116	157
Group/Units Fundraising	300	135
Other	896	286
Total other income	1 385	657

South Australian Country Fire Service
Notes to and forming part of the financial statements
For the year ended 30 June 2017

12 Revenues from SA Government

	2017	2016
	\$'000	\$'000
Contributions from Community Emergency Services Fund	75 715	74 389
Other revenues from SA Government	140	48
Total revenues from SA Government	75 855	74 437

Revenues from SA Government consist of \$60.307m (2016: \$59.734m) for operational funding and \$15.548m (2016: \$14.703m) for capital projects.

For details on the expenditure associated with the operational funding and capital funding refer notes 5, 6, 8, 17 and 18.

Contributions from Community Emergency Services Fund are recognised as revenues when CFS obtains control over the funding. Control of contributions is normally obtained on receipt.

13 Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Cash on hand	6	4
Deposits with the Treasurer	13 639	8 460
Cash at bank	424	443
Cash at bank - Groups/Brigades	3 528	3 473
Short-term deposits - Groups/Brigades	873	747
Total cash and cash equivalents	18 470	13 127

Cash is measured at nominal amounts.

Deposits with the Treasurer

One operating account is held with the Treasurer. This account is interest bearing.

Short term deposits

Short-term deposits are made for varying periods of between one day and three months. The deposits are lodged with various financial institutions at their respective short-term deposit rates.

Interest rate risk

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

South Australian Country Fire Service
Notes to and forming part of the financial statements
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14 Receivables

	2017	2016
	\$'000	\$'000
Current		
Receivables	271	882
Less: Allowance for doubtful debts	(24)	(25)
Total	247	857
Accrued revenue	26	34
GST input tax recoverable	1 295	1 009
Total current receivables	1 568	1 900

Movements 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
Carrying amount at the beginning of the period	(25)	(18)
Increase in the allowance	(1)	(12)
Amounts written off	2	5
Carrying amount at the end of the period	(24)	(25)

Interest rate and credit risk

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

15 Other financial assets

	2017	2016
	\$'000	\$'000
Medium term deposits - Groups/Brigades	2 386	2 266
Total other financial assets	2 386	2 266

South Australian Country Fire Service
Notes to and forming part of the financial statements
For the year ended 30 June 2017

16 Non-current assets held for sale

	2017	2016
	\$'000	\$'000
Land	742	742
Total non-current assets held for sale	742	742

Land at Port Lincoln is surplus to requirements and continues to remain on the market for sale as at 30 June 2017.

17 Property, plant and equipment

	2017	2016
	\$'000	\$'000
Land		
At valuation	12 774	12 811
At cost (deemed fair value)	342	342
Total land	13 116	13 153
Buildings		
At valuation	42 188	42 195
At cost (deemed fair value)	4 934	1 910
Less accumulated depreciation	(7 759)	(5 552)
Total buildings	39 363	38 553
Vehicles		
At valuation	79 608	79 986
At cost (deemed fair value)	29 714	19 746
Less accumulated depreciation	(22 757)	(16 180)
Total vehicles	86 565	83 552
Communication (Comms.) equipment		
At valuation	4 849	4 849
At cost (deemed fair value)	10 324	2 072
Less accumulated depreciation	(3 156)	(2 187)
Total communication equipment	12 017	4 734
Computer equipment		
At valuation	30	30
At cost (deemed fair value)	134	133
Less accumulated depreciation	(101)	(69)
Total computer equipment	63	94
Plant and equipment		
At valuation	1 156	1 156
At cost (deemed fair value)	3 601	3 471
Less accumulated depreciation	(1 230)	(719)
Total plant and equipment	3 527	3 908
Capital Work in progress		
At cost (deemed fair value)	14 696	22 143
Total capital work in progress	14 696	22 143
Total property, plant and equipment	169 347	166 137

South Australian Country Fire Service
Notes to and forming part of the financial statements
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17 Property, plant and equipment (continued)

Valuation of Assets

At 1 January 2014 independent valuations for land, buildings, vehicles, communication, computer, plant and equipment assets were undertaken by Liquid Pacific, Mr M Burns, MRICS, AAPI (CPV). The fair value of all vehicles, communications, computer and plant and equipment items was determined by identifying a market buying price, estimated as written down modern equivalent replacement cost. The fair value of land and buildings was based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

Impairment

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

Movement reconciliation of property, plant and equipment

	Land	Buildings	Vehicles	Comms. equipment	Computer equipment	Plant and equipment	Capital Work in progress	Total
<u>2017</u>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	13 153	38 553	83 552	4 734	94	3 908	22 143	166 137
Acquisitions	-	(1)	-	1	1	-	13 929	13 930
Transfers to/(from) capital works in progress	-	3 025	9 969	8 251	-	131	(21 376)	-
Depreciation	-	(2 222)	(6 620)	(969)	(32)	(510)	-	(10 353)
Disposals	(59)	(32)	(336)	-	-	(2)	-	(429)
Donated assets	22	40	-	-	-	-	-	62
Carrying amount at the end of the period	13 116	39 363	86 565	12 017	63	3 527	14 696	169 347

South Australian Country Fire Service
Notes to and forming part of the financial statements
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17 Property, plant and equipment (continued)

	Land	Buildings	Vehicles	Comms. equipment	Computer equipment	Plant and equipment	Capital Work in progress	Total
2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	13 011	39 970	80 512	4 833	77	1 441	20 401	160 245
Acquisitions	-	-	-	-	-	-	16 211	16 211
Transfers to/(from) capital works in progress	142	787	9 773	794	54	2 883	(14 433)	-
Depreciation	-	(2 204)	(6 435)	(893)	(37)	(413)	-	(9 982)
Disposals	-	-	(298)	-	-	(3)	(36)	(337)
Carrying amount at the end of the period	13 153	38 553	83 552	4 734	94	3 908	22 143	166 137

18 Intangible Assets

	2017	2016
	\$'000	\$'000
Computer software	10	10
Less accumulated amortisation	(7)	(5)
Total intangible assets	3	5

Movement reconciliation of intangible assets

	2017	2016
	\$'000	\$'000
Carrying amount at the beginning of the period	5	7
Amortisation expense	(2)	(2)
Carrying amount at the end of the period	3	5

Asset details and amortisation

Intangible assets detailed above relate to computer software externally acquired.

Impairment

There were no indications of impairment of intangible assets at 30 June 2017.

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19 Fair value measurement

Fair Value Hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purpose. CFS categorises non-financial assets measured at fair value into hierarchy bases on the level of inputs used in measurement.

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2017. CFS had no valuations categorised into level 1.

Fair value measurements at 30 June 2017

	Level 2	Level 3	Total
	\$'000	\$'000	\$'000
Recurring fair value measurements			
Land (note 17)	6 798	6 318	13 116
Buildings (note 17)	10 686	28 677	39 363
Vehicles (note 17)	-	86 565	86 565
Communication (Comms.) equipment (note 17)	-	12 017	12 017
Computer equipment (note 17)	-	63	63
Plant and equipment (note 17)	-	3 527	3 527
Total recurring fair value measurements	17 484	137 167	154 651
Non- recurring fair value measurements			
Land held for sale (note 16)	742	-	742
Total non-recurring fair value measurements⁽¹⁾	742	-	742
Total	18 226	137 167	155 393

¹ CFS has measured land and building held for sale at fair value less costs to sell in accordance with AASB 5.

Fair value measurements at 30 June 2016

	Level 2	Level 3	Total
	\$'000	\$'000	\$'000
Recurring fair value measurements			
Land (note 17)	6 843	6 310	13 153
Buildings (note 17)	8 353	30 200	38 553
Vehicles (note 17)	-	83 552	83 552
Communication (Comms.) equipment (note 17)	-	4 734	4 734
Computer equipment (note 17)	-	94	94
Plant and equipment (note 17)	-	3 908	3 908
Total recurring fair value measurements	15 196	128 798	143 994
Non- recurring fair value measurements			
Land held for sale (note 16)	742	-	742
Total non-recurring fair value measurements⁽¹⁾	742	-	742
Total	15 938	128 798	144 736

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2017. CFS's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Refer to APF III Asset Accounting Framework for guidance in determining the applicable fair value hierarchy disclosure level.

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19 Fair value measurement (continued)

Valuation techniques and inputs

Valuation techniques and inputs used to derive level 2 and 3 fair values are at note 19. There were no changes in the valuation techniques during 2017.

Land subject to restricted use is considered within Input Level 3.

Buildings that are specialised are classified as Input Level 3.

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

Reconciliation of Level 3 recurring fair value measurement at 30 June 2017

	Land	Buildings	Vehicles	Comms. equipment	Computer equipment	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2017							
Opening balance at the beginning of the period	6 310	30 200	83 552	4 734	94	3 908	128 798
Acquisitions	-	267	9 969	8 252	1	131	18 620
Donated assets	22	40	-	-	-	-	62
Depreciation	-	(1 798)	(6 620)	(969)	(32)	(510)	(9 929)
Disposals	(14)	(32)	(336)	-	-	(2)	(384)
Closing balance at the end of the period	6 318	28 677	86 565	12 017	63	3 527	137 167
Carrying amount at 30 June	6 318	28 677	86 565	12 017	63	3 527	137 167

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

	Land	Buildings	Vehicles	Comm equipment	Computer equipment	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2016							
Opening balance at the beginning of the period	6 260	31 229	80 512	4 833	77	1 441	124 352
Capitalised subsequent expenditure	50	787	9 773	794	54	2 883	14 341
Depreciation	-	(1 816)	(6 435)	(893)	(37)	(413)	(9 594)
Disposals	-	-	(298)	-	-	(3)	(301)
Closing balance at the end of the period	6 310	30 200	83 552	4 734	94	3 908	128 798
Carrying amount at 30 June	6 310	30 200	83 552	4 734	94	3 908	128 798

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20 Payables

	2017	2016
	\$'000	\$'000
Current payables		
Accrued expenses	876	1 429
Creditors	4 819	3 367
Paid Parental Leave Scheme payable	(1)	4
Employee on-costs	343	358
Total current payables	6 037	5 158
Non-current payables		
Creditors	5	4
Employment on-costs	332	330
Total non-current payables	337	334
Total payables	6 374	5 492

Employment on-costs

Employment on-costs include payroll tax, WorkCover levies and superannuation contributions. CFS 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 scheme. The only liability outstanding at reporting date relates to any contributions due not yet paid to State Government and externally managed superannuation schemes.

The actuarial assessment performed by the Department of Treasury and Finance, has resulted in the percentage of the proportion of long service leave taken remain unchanged from 40%, and the average factor for the calculation of employer superannuation cost on-cost has decreased from 2016 (10.2%) to 2017 (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 decrease in the employment on-cost of \$0.003 million and employee benefit expense of \$0.003 million. The estimated impact on future periods is not expected to be materially different to the effect on the current period as shown above.

Interest rate and credit risk

Payables are measured at nominal amounts. 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.

21 Employee benefits

	2017	2016
	\$'000	\$'000
Current employee benefits		
Accrued salaries and wages	277	220
Annual leave	1 623	1 595
Skills and experience retention leave	139	151
Long service leave	80	115
Total current employee benefits	2 119	2 081
Non-current employee benefits		
Long service leave	3 578	3 565
Total non-current employee benefits	3 578	3 565
Total employee benefits	5 697	5 646

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21 Employee benefits (continued)

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 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 decrease in the long service leave liability of \$0.126 million and employee benefits expense of \$0.126 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.

22 Provisions

	2017 \$'000	2016 \$'000
Current provisions		
Provision for workers compensation	1 989	2 562
Total current provisions	1 989	2 562
Non-current provisions		
Provision for workers compensation	4 364	2 461
Total non-current provisions	4 364	2 461
Total provisions	6 353	5 023
Provision movement		
Carrying amount at the beginning of the period	5 023	3 629
Additional provisions recognised	3 080	3 166
Reduction arising from payments	(1 750)	(1 772)
Carrying amount at the end of the period	6 353	5 023

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.

Presumptive workers compensation coverage for firefighters for a range of cancers came into effect from 1 July 2013. The workers compensation provision as at 30 June 2017 includes an actuarial assessment of firefighters cancer claims. The actuary has included an estimate for injuries incurred but not reported. The actuarial assessment is sensitive to changes in assumptions and as claim costs are received and assessed, assumptions will be based on more extensive experience.

South Australian Country Fire Service
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23 Equity

	2017	2016
	\$'000	\$'000
Retained earnings	128 389	122 313
Asset revaluation surplus	45 703	45 703
Total equity	174 092	168 016

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

24 Related party transactions

CFS is a body corporate and is an agency of the Crown.

Related parties of CFS 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

CFS has 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 CFS and other SA Government controlled entities are disclosed at note 30 .

Key management personnel

Key management personnel of CFS include the Minister, the members of the SAFECOM Board , the Chief Officer of CFS and the two members of the Executive Team who have responsibility for the strategic direction and management of the agency.

The compensation detailed below excludes salaries and other benefits the Minister for Emergency Services 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
	\$'000
Salaries and other short term employee benefits	669
Post-employment benefits	72
Total compensation	741

Transactions with key management personnel and other related parties

There are no material transactions or balances to disclose with key management personnel or related parties.

South Australian Country Fire Service
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25 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	18 470	13 127
Balance as per Statement of Cash Flows	18 470	13 127
Reconciliation of net cash provided by operating activities to net cost of providing services		
Net cash provided by operating activities	18 478	18 962
Less revenues from SA Government	(75 855)	(74 437)
Add/(less) non-cash Items		
Depreciation and amortisation	(10 355)	(9 984)
Donated Asset	62	-
Net loss from disposal of non-current assets	(196)	(57)
Movements in assets and liabilities		
(Decrease) / increase in receivables	(332)	(2 889)
(Increase) / decrease in payables	(200)	(1 567)
(Increase) / decrease in employee benefits	(51)	(308)
(Increase) / decrease in provisions	(1 330)	(1 394)
Net cost of providing services	(69 779)	(71 674)

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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	2016
	\$'000	\$'000
Within one year	1 406	1 746
Later than one year but not later than five years	936	1 431
Total operating lease commitments	2 342	3 177

These non-cancellable leases relate to vehicle and property leases, with rental payable monthly.

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	1 618	3 870
Total capital commitments	1 618	3 870

These capital commitments are for building, vehicle and equipment projects.

Expenditure commitments

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

	2017	2016
	\$'000	\$'000
No later than one year	7 674	6 554
Later than one year but not later than five years	1 512	6 197
Total expenditure commitments	9 186	12 751

Contractual commitments relate to information technology, aerial firefighting, equipment supply and maintenance contracts, and supply of personal protective clothing.

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27 Contingent assets and liabilities

Contingent assets

CFS is currently in negotiation to resolve a leave dispute with a small group of CFS employees that resulted in the overpayment of leave entitlements. As at 30 June 2017, no resolution had been reached, therefore an estimate of expected repayments cannot be determined at this stage. The value of leave accrued in excess of entitlements was \$638 000.

CFS is not aware of any other contingent assets.

Contingent liabilities

CFS is currently investigating an issue relating to the potential underpayment of 31 CFS employees. On resolution there is a high probability that back payment of wages will be required, but as at 30 June 2017 a reliable estimate cannot be made.

CFS has several other contingent liabilities in the form of unresolved litigation. However, the outcome cannot be reliably determined at this stage. In each case the financial exposure to CFS is limited to a \$10 000 excess under insurance arrangements.

CFS is not aware of any other contingent liabilities.

28 Remuneration of board and committee members

Members of boards and committees during 2017 were:

State Bushfire Coordination Committee

Mr A Harvey * (appointed 1 Jul 2016)
Mr A Grear * (appointed 1 Jul 2016)
Ms A De Piaz *
Mr C Daniels (appointed 1 Jul 2016)
Mr D Colliar * (appointed 1 Jul 2016)
Mr D Gilbertson (appointed 1 Jul 2016)
Ms F Dunstan *
Mr F Crisci *
Mr G Pelton *
Mr G Nettleton *
Ms J Frizenchaf *
Mr J Crocker *
Mr J O'Hehir (appointed 1 Jul 2016)
Mr J Wiseman *
Mr J Nairn
Mr J Neal (appointed 1 Jul 2016)
Ms K Stanley-Murray
Ms K Egan *

Mr M Peters * (appointed 1 Jul 2016)
Mr M Sutton *
Mr M Winters * (appointed 1 Jul 2016)
Ms M Healy * (appointed 1 Jul 2016)
Mr M Roche
Ms N Rea (appointed 1 Jul 2016)
Mr N Bamford * (appointed 1 Jul 2016)
Mr P White
Mr P Kilsby * (appointed 1 Jul 2016)
Mr R Tretheway (appointed 1 Jul 2016)
Mr S Duval * (appointed 1 Jul 2016)
Mr S Pascale *
Mr S Barone (appointed 1 Jul 2016)
Ms S Mickan
Mr T Kelly
Mr W Thorley
Mr W McIntosh

South Australian Country Fire Service
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28 Remuneration of board and committee members (continued)

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

	2017	2016
	\$'000	\$'000
\$nil	31	30
\$1 - \$9 999	4	3
Total number of members	35	33

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 \$1 751 (2016: \$618).

*In accordance with the Department of the Premier and Cabinet's Circular Number 016, government employees did not receive any remuneration for board/committee duties during the financial year.

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

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

29 Events after the reporting period

There were no events after the reporting period affecting the financial statements.

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30 Transactions with SA Government

	Note	SA Government		Non-SA Government		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses							
Employee benefits expenses	5	4 002	4 124	15 319	15 184	19 321	19 308
Supplies and services	6						
Accommodation		-	92	149	44	149	136
Aerial firefighting		50	28	7 042	9 046	7 092	9 074
Auditor's remuneration		30	29	-	-	30	29
Communications		25	27	979	1 052	1 004	1 079
Computing costs		247	336	1 326	1 187	1 573	1 523
Consultancy, contractor and legal fees		96	125	1 831	2 358	1 927	2 483
Consumables		231	198	1 324	1 522	1 555	1 720
Energy		15	11	790	785	805	796
Government radio network		11 087	10 817	-	-	11 087	10 817
Insurance premiums		210	178	47	46	257	224
Minor plant and equipment		6	5	2 102	1 508	2 108	1 513
Operating lease costs		1 583	1 667	843	825	2 426	2 492
Operational costs		32	66	956	1 630	988	1 696
Repairs and maintenance		130	224	6 121	5 995	6 251	6 219
Travel and training		13	75	2 197	2 433	2 210	2 508
Uniforms and protective clothing		-	-	2 823	2 232	2 823	2 232
Other expenses		320	254	1 965	2 072	2 285	2 326
Depreciation and amortisation	7	-	-	10 355	9 984	10 355	9 984
Grants and subsidies		-	-	389	389	389	389
Net loss from disposal of non-current assets	8	-	-	198	57	198	57
Total expenses		18 077	18 256	56 756	58 349	74 833	76 605

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30 Transactions with SA Government (continued)

	Note	SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income							
Revenues from fees and charges	9						
Fire alarm attendance fees		132	94	278	214	410	308
Fire safety fees		4	5	126	128	130	133
Fire alarm monitoring fees		58	57	183	173	241	230
Incident cost recoveries		-	-	-	459	-	459
Training and other recoveries		325	242	153	119	478	361
Other recoveries		-	9	2	42	2	51
Grants and contributions	10						
Commonwealth Government		-	-	2 142	2 012	2 142	2 012
State Government		110	598	-	-	110	598
Interest revenues		92	122	-	-	92	122
Resources received free of charge		-	-	62	-	62	-
Other income	11						
Rent received		-	-	73	79	73	79
Insurance recoveries		116	111	-	46	116	157
Group/Units Fundraising		-	-	300	135	300	135
Other		604	192	292	94	896	286
Revenues from SA Government	12	75 855	74 437	-	-	75 855	74 437
Total income		77 296	75 867	3 611	3 501	80 907	79 368

	Note	SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Cash and cash equivalents	13	13,645	8,464	4,825	4,663	18 470	13,127
Receivables	14						
Receivables		42	121	205	736	247	857
Accrued revenue		17	16	9	18	26	34
GST input tax recoverable		-	-	1 295	1 009	1 295	1 009
Other financial assets	15	-	-	2 386	2 266	2 386	2 266
Total financial assets		13 704	8 601	8 720	8 692	22 424	17 293

Financial liabilities

Payables	20						
Accrued expenses		68	1 204	808	225	876	1 429
Creditors		262	547	4 562	2 824	4 824	3 371
Paid Parental Leave Scheme payable		-	-	(1)	4	(1)	4
Employee on-costs		351	340	324	348	675	688
Total financial liabilities		681	2 091	5 693	3 401	6 374	5 492

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

The following are brief explanations of variances between original budget and actual amounts. Explanations are provided for variances where the variance exceeds the greater of 10% of the original budget amount and 5% of original budgeted total expenses.

Statement of Comprehensive Income	Note	Original Budget ¹ 2017 \$'000	Actual 2017 \$'000	Variance \$'000
Expenses				
Employee benefits	(a)	15 610	19 321	3,711
Supplies and services		44 339	44 570	231
Depreciation and amortisation		12 285	10 355	(1,930)
Grants and subsidies		423	389	(34)
Net gain(loss) from the disposal of non-current and other assets		-	196	196
Total expenses		72 657	74 831	2 174
Income				
Fees and charges		1 120	1 261	141
Grants and contributions	(b)	1 876	2 252	376
Interest		264	92	(172)
Resources received free of charge		-	62	62
Other		920	1 385	465
Total income		4 180	5 052	872
Net cost of providing services		68 477	69 779	1 302
Revenues from (payments to) SA government				
Revenues from SA Government		82 407	75 855	(6,552)
Net revenues from SA Government		82 407	75 855	(6 552)
Net result		13 930	6 076	(7 854)

¹ The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budget financial statements in respect of the reporting period (2016-17 Budget Paper 4). These original budget 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.

- (a) Actual employee benefits were higher than the original budget primarily due to movement in workers compensation provision.
- (b) Grants and contributions were higher than budget due to increased payments from the National Aerial Firefighting Centre Ltd and Natural Disaster Resilience Program grants.

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31 Budgetary reporting and explanations of major variances between budget and actual amounts (continued)

		Original Budget ¹ 2017 \$'000	Actual 2017 \$'000	Variance \$'000
Investing expenditure summary	Note			
Total annual programs	(c)	16 060	13 929	(2,131)
Total investing expenditure		16 060	13 929	(2 131)

¹ The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budget financial statements in respect of the reporting period (2016-17 Budget Paper 4). These amounts have not been adjusted to reflect revised budgets.

- (c) Total annual programs were lower than budget due to issues with CFS purchase of firefighting appliances in May 2017. This was the result of a worldwide recall which limited the products available from the manufacturer.

32 Financial risk management/financial instruments

32.1 Financial risk management

Risk management is managed by CFS 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 exposure of CFS to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held. There have been no changes in risk exposure since the last reporting period.

32.2 Categorisation of financial instruments

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

Refer note 32.3 for the carrying amounts of each of the following categories of financial assets and liabilities: Held-to-maturity investments; receivables and payables measured at cost.

CFS 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, 14, 20).
- Held-to-maturity investments are initially recognised at fair value, then subsequently held at amortised cost. This is the most representative of fair value in the circumstances (refer notes 2 and 15).

32.3 Liquidity risk

Liquidity risk arises from the possibility that CFS is unable to meet its financial obligations as they fall due. CFS is funded principally from the Fund. CFS works with the Fund to determine the cash flows associated with its government approved program of work to ensure funding meets the expected cash flows.

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32 Financial risk management/financial instruments (continued)

Table 32 .3 Categorisation and maturity analysis of financial assets and liabilities

Category of financial asset and financial liability	Notes	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 cash equivalents	13	18 470	18 470	-	-	-
Receivables ⁽¹⁾⁽²⁾	14	251	251	-	-	-
Other financial assets	15	2 386	2 386	-	-	-
Total financial assets		21 107	21 107	-	-	-
Financial liabilities						
Payables ⁽¹⁾	20	5 621	5 616	-	-	5
Total financial liabilities		5 621	5 616	-	-	5

Category of financial asset and financial liability	Notes	2016 Carrying amount/fair value \$'000	2016 Contractual maturities			
			Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets						
Cash and cash equivalents	13	13 127	13 127	-	-	-
Receivables ⁽¹⁾⁽²⁾	14	877	877	-	-	-
Other financial assets	15	2 266	2 266	-	-	-
Total financial assets		16 270	16 270	-	-	-
Financial liabilities						
Payables ⁽¹⁾	20	4 464	4 460	-	-	4
Total financial liabilities		4 464	4 460	-	-	4

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.

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.

32 Financial risk management/financial instruments (continued)

32.4 Credit risk

CFS has minimal concentration of credit risk. CFS has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. CFS 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 CFS.

32.5 Market risk

CFS has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). CFS's exposure to market risk and cash flow interest risk is minimal. There is minimal exposure to foreign currency or other price risks.

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

South Australian Country Fire Service
Certification of Financial Statements
For the year ended 30 June 2017

We certify that the attached general purpose financial statements for the South Australian Country Fire Service:

- 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 South Australian Country Fire Service; and
- present a true and fair view of the financial position of the South Australian Country Fire Service 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 South Australian Country Fire Service for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Greg Nettleton
Chief Officer
South Australian Country Fire Service
15 September 2017



Karen Prideaux
Business Manager, Community Emergency Services Fund
15 September 2017
for Julie Best
Business Manager
South Australian Country Fire Service

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chief Officer South Australian Country Fire Service

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 100(2) of the *Fire and Emergency Services Act 2005*, I have audited the financial report of the South Australian Country Fire Service 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 South Australian Country Fire Service 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 Officer and the Business Manager.

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 South Australian Country Fire Service. 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 Officer for the financial report

The Chief 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

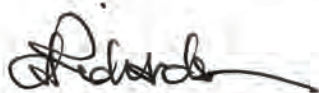
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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 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 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 'A. Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

21 September 2017

South Australian
Fire and Emergency
Services Commission

Financial report
for the year ended
30 June 2017

South Australian Fire and Emergency Services Commission
Statement of Comprehensive Income
for the year ended 30 June 2017

		Consolidated		SAFECOM Entity	
		2017	2016	2017	2016
	Note	\$'000	\$'000	\$'000	\$'000
Expenses					
Employee benefits	5	154 869	163 609	7 468	8 009
Supplies and services	6	73 510	74 865	5 348	6 803
Depreciation and amortisation	7	20 877	20 350	890	841
Grants and subsidies		2 769	3 219	2 243	3 029
Total expenses		252 025	262 043	15 949	18 682
Income					
Fees and charges	9	6 467	6 508	636	708
Grants and contributions	10	5 531	5 455	2 088	2 088
Interest	11	229	288	67	53
Resources received free of charge	12	62	20	-	-
Net gain (loss) from disposal of non-current assets	8	10	(166)	-	-
Other	13	2 433	1 542	21	43
Total income		14 732	13 647	2 812	2 892
Net cost of providing services		237 293	248 396	13 137	15 790
Revenues from SA Government					
Revenues from SA Government	14	247 283	240 084	14 741	12 897
Total revenues from SA Government		247 283	240 084	14 741	12 897
Total comprehensive result		9 990	(8 312)	1 604	(2 893)

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

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

South Australian Fire and Emergency Services Commission
Statement of Financial Position
as at 30 June 2017

	Note	Consolidated		SAFECOM Entity	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current assets					
Cash and cash equivalents	15	29 358	22 705	5 379	4 492
Receivables	16	4 218	3 686	1 524	439
Other financial assets	17	2 772	2 657	-	-
Non-current assets classified as held for sale	18	742	996	-	-
Total current assets		37 090	30 044	6 903	4 931
Non-current assets					
Property, plant and equipment	19	352 471	346 066	665	322
Intangible assets	20	1 274	1 951	1 052	1 852
Total non-current assets		353 745	348 017	1 717	2 174
Total assets		390 835	378 061	8 620	7 105
Current liabilities					
Payables	22	13 608	13 529	1 207	1 256
Employee benefits	23	19 136	15 772	986	987
Provisions	24	8 613	8 746	21	31
Total current liabilities		41 357	38 047	2 214	2 274
Non-current liabilities					
Payables	22	2 754	2 485	166	167
Employee benefits	23	29 598	26 638	1 797	1 806
Provisions	24	10 314	14 069	21	40
Total non-current liabilities		42 666	43 192	1 984	2 013
Total liabilities		84 023	81 239	4 198	4 287
Net assets		306 812	296 822	4 422	2 818
Equity					
Retained earnings	25	241 966	231 976	4 422	2 818
Revaluation surplus	25	64 846	64 846	-	-
Total equity		306 812	296 822	4 422	2 818

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

South Australian Fire and Emergency Services Commission
Statement of Changes in Equity
for the year ended 30 June 2017

Consolidated			
Note	Revaluation Surplus \$'000	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2015	64 846	240 288	305 134
Net result for 2015-16	-	(8 312)	(8 312)
Net income or expenses relating to non-current assets held for sale	-	-	-
Total comprehensive result for 2015-16	-	(8 312)	(8 312)
Balance at 30 June 2016	64 846	231 976	296 822
Net result for 2016-17	-	9 990	9 990
Gain on revaluation of plant and equipment during 2016-2017	-	-	-
Total comprehensive result for 2016-17	-	9 990	9 990
Balance at 30 June 2017	64 846	241 966	306 812

SAFECOM Entity			
Note	Revaluation Surplus \$'000	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2015	-	5 711	5 711
Net result for 2015-16	-	(2 893)	(2 893)
Total comprehensive result for 2015-16	-	(2 893)	(2 893)
Balance at 30 June 2016	-	2 818	2 818
Net result for 2016-17	-	1 604	1 604
Total comprehensive result for 2016-17	-	1 604	1 604
Balance at 30 June 2017	-	4 422	4 422

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

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

South Australian Fire and Emergency Services Commission
Statement of Cash Flows
for the year ended 30 June 2017

		Consolidated		SAFECOM Entity	
	Note	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Cash outflows					
Employee benefit payments		(152 718)	(153 343)	(7 515)	(7 950)
Payments for supplies and services		(84 091)	(83 806)	(7 332)	(9 863)
Payments of grants and subsidies		(2 970)	(2 975)	(2 444)	(2 785)
Payments for paid parental leave scheme		(131)	(88)	(9)	-
Cash used in operations		(239 910)	(240 212)	(17 300)	(20 598)
Cash inflows					
Receipts from fees and charges		7 955	8 569	657	865
Receipts from grants and contributions		4 487	5 695	1 044	2 088
Interest received		229	273	68	60
GST recovered from the ATO		9 811	10 424	2 097	2 166
Receipts for paid parental leave scheme		134	85	12	-
Other receipts		2 379	1 506	20	44
Cash generated from operations		24 995	26 552	3 898	5 223
Cash flows from SA Government					
Contributions from Community Emergency Services Fund		244 539	237 917	12 250	10 795
Other receipts from SA Government		2 744	2 167	2 491	2 102
Cash generated from SA Government		247 283	240 084	14 741	12 897
Net cash provided by operating activities	27	32 368	26 424	1 339	(2 478)
Cash flows from investing activities					
Cash outflows					
Purchase of property, plant and equipment		(26 480)	(29 049)	(452)	(483)
Purchase of investments		(115)	(109)	-	-
Payments for the disposal of property		(7)	(33)	-	-
Cash used in investing activities		(26 602)	(29 191)	(452)	(483)
Cash inflows					
Proceeds from the sale of property, plant and equipment		887	414	-	-
Cash generated from investing activities		887	414	-	-
Net cash used in investing activities		(25 715)	(28 777)	(452)	(483)
Net increase / (decrease) in cash and cash equivalents		6 653	(2 353)	887	(2 961)
Cash and cash equivalents at the beginning of the period		22 705	25 058	4 492	7 453
Cash and cash equivalents at the end of the period	15	29 358	22 705	5 379	4 492

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

South Australian Fire and Emergency Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2017

1 Establishment, objectives and funding arrangements

Establishment

The South Australian Fire and Emergency Services Commission (SAFECOM) is established under the *Fire and Emergency Services Act 2005* (the Act).

The Act also defines the emergency services sector as consisting of the:

- South Australian Fire and Emergency Services Commission
- South Australian State Emergency Service (SASES)
- South Australian Country Fire Service (SACFS)
- South Australian Metropolitan Fire Service (SAMFS).

The Act requires consolidated statements of accounts be prepared for the emergency services sector.

Objectives

SAFECOM has the following objectives:

- to develop and maintain a strategic and policy framework as well as sound corporate governance across the emergency services sector
- to provide adequate support services to the emergency services organisations and to ensure the effective allocation of resources within the emergency services sector
- to ensure relevant statutory compliance by the emergency services organisations
- to build a safer community through integrated emergency service delivery
- to undertake a leadership role in the emergency management
- to report regularly to the Minister about relevant issues.

Funding arrangements

Funding of SAFECOM is primarily derived from the Community Emergency Services Fund (the Fund), in accordance with the *Emergency Services Funding Act 1998*.

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*.

SAFECOM has applied Australian Accounting Standards that are applicable to not-for-profit entities as SAFECOM is a not-for-profit entity.

South Australian Fire and Emergency Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

(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 SAFECOM's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes.
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the Accounting Policy Statements require the following note disclosures, which have been included in this financial report:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items may be utilised. SAFECOM has elected not to utilise this threshold; that is all revenue, expense, financial assets and liabilities relating to SA Government have been separately disclosed
 - (b) expenses incurred as a result of engaging consultants
 - (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
 - (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. 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) Principles of consolidation

The financial statements incorporate the assets and liabilities of all entities comprising the emergency services sector as at 30 June 2017 and the results of these entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full.

(d) Reporting entity

SAFECOM is a body corporate and is an agency of the Crown, established under the Act.

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

The financial statements and accompanying notes include all the controlled activities of SAFECOM. Transactions and balances relating to administered resources are not recognised as SAFECOM income, expenses, assets and liabilities. As administered, the activities of the Community Emergency Services Fund items are significant in relation to SAFECOM's overall financial performance and position and therefore are disclosed in the administered financial statements (schedule of administered items) at the back of the controlled general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for SAFECOM items.

South Australian Fire and Emergency Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

The SASES administers, but does not control, certain activities on behalf of the Australian Council of State and Territory Emergency Services. It is accountable for the transactions relating to those trust activities but does not have the discretion, for example, to deploy the resources for the achievement of the SASES's own objectives.

Transactions and balances relating to the trust assets are not recognised as SASES's income, expenses, assets and liabilities, but are disclosed in note 35 as 'Trust Funds'.

The accrual basis of accounting and applicable accounting standards has been adopted.

(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

SAFECOM is not subject to income tax. SAFECOM is liable for payroll tax, 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 GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- receivables and payables, which are stated with the amount of GST included.

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

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

GST receivables/payables associated with administered items transactions are included in SAFECOM statements.

(h) Events after the reporting period

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

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

South Australian Fire and Emergency Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

(i) Current and non-current classification

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

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, SAFECOM 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.

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

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

Class of asset	Consolidated Useful life (years)	SAFECOM Entity Useful life (years)
Buildings	40-50	40
Vehicles	15-20	15
Communications equipment	10	N/A
Plant and equipment	10	10
Computer equipment	5	5
Intangibles	5	5

South Australian Fire and Emergency Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

Revaluation of non-current assets

All non-current tangible assets are valued at fair value. On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every six years and carrying amounts are adjusted accordingly.

A valuation appraisal by a Certified Practising Valuer is performed at least every six years.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, the asset is 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.

Impairment

SAFECOM 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.

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

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 period. 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. SAFECOM only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

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

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

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

Fair value measurement

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

South Australian Fire and Emergency Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

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

- Level 1 - traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 - not traded in active 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 active market and are derived from unobservable inputs.

In determining fair value, SAFECOM 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 (i.e. physically possible, legally permissible, financially feasible).

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

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

(k) Liabilities

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

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

South Australian Fire and Emergency Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

(i) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

3 New and revised accounting standards and policies

SAFECOM 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 SAFECOM 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 Jan 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.

SAFECOM 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 SAFECOM's goods and services. Some revenue may need to be deferred to a later reporting period to the extent that SAFECOM has received cash but has not yet met the associated performance obligations.

South Australian Fire and Emergency Services Commission
Notes to and forming part of the financial statements
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3 New and revised accounting standards and policies (continued)

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.

SAFECOM 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.

SAFECOM has not assessed the impact of other new and amended standards and interpretations and therefore is not able to quantify the impact on accounting policies or the financial statements of SAFECOM.

4 Activities of South Australian Fire and Emergency Services Commission

In achieving its objectives, SAFECOM provides strategic and corporate support services to the SACFS, SAMFS and SASES. These services are classified under one program titled "Fire and Emergency Services Strategic Services and Business Support".

South Australian Fire and Emergency Services Commission
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5 Employee benefits expenses

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Salaries and wages	107 944	103 305	5 481	5 811
Annual leave	13 258	12 525	480	564
Skills and experience retention leave	1 021	918	36	38
Long service leave	6 637	5 511	188	239
Employment on-costs - superannuation	15 217	14 725	927	1 006
Payroll tax	7 060	6 697	320	349
Workers compensation	3 038	19 244	10	(21)
Other employment related expenses	694	684	26	23
Total employee benefits expenses	154 869	163 609	7 468	8 009

Remuneration of employees

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

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	Number	Number	Number	Number
\$145 000 – \$147 000*	N/A	6	N/A	-
\$147 001 – \$157 000	42	8	-	-
\$157 001 – \$167 000	17	21	-	-
\$167 001 – \$177 000	11	3	-	-
\$177 001 – \$187 000	12	5	-	-
\$187 001 – \$197 000	6	4	-	-
\$197 001 – \$207 000	2	1	-	-
\$207 001 – \$217 000	1	1	-	-
\$227 001 – \$237 000	1	-	-	-
\$237 001 – \$247 000	1	-	-	-
\$247 001 – \$257 000	-	3	-	-
\$257 001 – \$267 000	1	-	-	-
\$267 001 – \$277 000	-	1	-	-
\$297 001 – \$307 000	2	2	-	-
\$307 001 – \$317 000	1	-	-	-
\$317 001 – \$327 000	-	1	-	-
\$377 001 – \$387 000	-	1	-	1
\$387 001 – \$397 000	1	-	1	-
Total number of executives / employees	98	57	1	1

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration 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 SAFECOM entity \$0.4 million (2016: \$0.4million) and SAFECOM Consolidated \$16.9 million (2016: \$10.4 million).

South Australian Fire and Emergency Services Commission
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6 Supplies and services

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Accommodation	366	424	-	-
Aerial support costs	7 092	9 074	-	-
Auditor's remuneration	198	202	112	117
Communications	3 000	3 854	1 061	1 941
Computing costs	3 923	3 644	775	820
Consultancy, contractor and legal fees	3 911	4 547	295	855
Consumables	3 183	2 978	57	48
Energy	1 623	1 598	9	9
Government radio network	15 015	14 649	-	-
Insurance premiums	602	725	10	9
Minor plant and equipment	3 214	2 968	24	1
Operating lease costs	4 234	4 178	417	416
Operational costs	2 085	2 040	5	14
Repairs and maintenance	10 590	10 493	137	90
Shared Services SA payments	1 708	1 597	1 708	1 597
Travel and training	4 220	3 813	200	139
Uniforms and protective clothing	4 703	3 893	4	-
Other expenses	3 843	4 188	534	747
Total supplies and services	73 510	74 865	5 348	6 803

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.

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

Audit fees paid / payable to the Auditor-General's Department relating to work performed under the PFAA were \$198 000 (2016: \$202 000). No other services were provided by the Auditor-General's Department.

Consultancy fees

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

	Consolidated				SAFECOM Entity			
	2017 No.	2017 \$'000	2016 No.	2016 \$'000	2017 No.	2017 \$'000	2016 No.	2016 \$'000
Below \$10 000	-	-	6	34	-	-	-	-
Above \$10 000	4	169	3	159	1	31	1	75
Total paid/payable to consultants engaged	4	169	9	193	1	31	1	75

South Australian Fire and Emergency Services Commission
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7 Depreciation and amortisation

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Depreciation				
Buildings	5 442	5 436	3	3
Vehicles	11 802	11 636	3	-
Computers	413	370	50	55
Plant and equipment	968	838	34	47
Communications	1 426	1 308	-	-
Total depreciation	20 051	19 588	90	105
Amortisation				
Computer software	826	762	800	736
Total amortisation	826	762	800	736
Total depreciation and amortisation	20 877	20 350	890	841

South Australian Fire and Emergency Services Commission
Notes to and forming part of the financial statements
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8 Net gain (loss) from disposal of non-current assets

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Land and buildings				
Proceeds from disposal	527	-	-	-
Less net book value of assets disposed	(409)	-	-	-
Less costs of disposal	(3)	(33)	-	-
Net loss from disposal of land and buildings	115	(33)	-	-
Vehicles				
Proceeds from disposal	360	414	-	-
Less net book value of assets disposed	(454)	(543)	-	-
Net loss from disposal of vehicles	(94)	(129)	-	-
Communication equipment				
Less net book value of assets disposed	(7)	-	-	-
Net loss from disposal of communication equipment	(7)	-	-	-
Plant and equipment				
Less net book value of assets disposed	(4)	(4)	-	-
Net loss from disposal of plant and equipment	(4)	(4)	-	-
Total assets				
Total proceeds from disposal	887	414	-	-
Less net book value of assets disposed	(874)	(547)	-	-
Less costs of disposal	(3)	(33)	-	-
Total net loss from disposal of non-current assets	10	(166)	-	-

9 Revenues from fees and charges

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Fire alarm attendance fees	2 659	2 306	-	-
Fire safety fees	380	453	-	-
Fire alarm monitoring fees	2 374	2 305	-	-
Incident cost recoveries	-	510	-	29
Training and other recoveries	318	181	-	-
Salary recovery	722	737	631	679
Other recoveries	14	16	5	-
Total revenues from fees and charges	6 467	6 508	636	708

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

South Australian Fire and Emergency Services Commission
Notes to and forming part of the financial statements
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10 Grants and contributions

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Commonwealth Government	5 246	5 198	2 088	2 088
State Government	279	244	-	-
Private industry and local government	6	13	-	-
Total grants and contributions	5 531	5 455	2 088	2 088

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. 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.
- 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 grant funding for SAFECOM relates to the Natural Disaster Resilience Program.

Contributions which have conditions of expenditure still to be met as at reporting date were \$2.533 million (2016: \$3.494 million). These contributions relate to the Natural Disaster Resilience Program.

Commonwealth grant funding for Consolidated mainly relates to the provision of fire and emergency services to Commonwealth properties, contributions towards aerial firefighting costs and Natural Disaster Resilience Program funding for emergency management projects.

Restrictions attached to these contributions include completion of progress reports and final project acquittal.

11 Interest revenues

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Interest on deposit accounts	229	288	67	53
Total interest revenues	229	288	67	53

12 Resources received free of charge

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Asset received free of charge	62	20	-	-
Total resources received free of charge	62	20	-	-

South Australian Fire and Emergency Services Commission
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13 Other income

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Donations	6	1	-	-
Groups/Brigades/Units fundraising	321	221	-	-
Rent received	458	467	-	-
Insurance recoveries	159	179	-	-
Other	1 489	674	21	43
Total other income	2 433	1 542	21	43

14 Revenues from SA Government

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Revenues from SA Government				
Contributions from Community Emergency Services Fund	244 539	237 917	12 250	10 795
Other revenues from SA Government	2 744	2 167	2 491	2 102
Total revenues from SA Government	247 283	240 084	14 741	12 897

Revenues from SA Government for SAFECOM entity consist of \$14.512 million (2016: \$12.686 million) for operational funding and \$0.229 million (2016: \$0.211 million) for capital projects.

Revenues from SA Government for the consolidated sector comprised \$218.376 million (2016: \$213.327 million) for operational funding and \$28.907 million (2016: \$26.757 million) for capital projects.

Contributions from Community Emergency Services Fund are recognised as revenues when SAFECOM obtains control over the funding. Control over contributions is normally obtained upon receipt.

For details on the expenditure associated with the operational funding and capital funding refer notes 5 , 6 , 19 and 20 .

15 Cash and cash equivalents

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Cash on hand	10	12	-	-
Deposits with the Treasurer	23 566	17 104	5 379	4 492
Cash at bank	564	584	-	-
Cash at bank - Groups/Brigades/Units	4 278	4 162	-	-
Short-term deposits - Groups/Brigades/Units	886	796	-	-
Short-term deposits	54	47	-	-
Total cash and cash equivalents	29 358	22 705	5 379	4 492

Cash is measured at nominal amounts.

Deposits with the Treasurer

One operating account is held with the Treasurer. This account is interest bearing.

South Australian Fire and Emergency Services Commission
Notes to and forming part of the financial statements
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15 Cash and cash equivalents (continued)

Short term deposits

Short-term deposits are made for varying periods of between one day and three months. The deposits are lodged with various financial institutions at their respective short-term deposit rates.

Interest rate risk

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

16 Receivables

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current				
Receivables	1 842	1 561	1 055	29
Less: Allowance for doubtful debts	(92)	(102)	-	-
	<u>1 750</u>	<u>1 459</u>	<u>1 055</u>	<u>29</u>
Accrued revenues	99	56	6	5
GST input tax recoverable	<u>2 369</u>	<u>2 171</u>	<u>463</u>	<u>405</u>
Total receivables	<u>4 218</u>	<u>3 686</u>	<u>1 524</u>	<u>439</u>

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.

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Movement in the allowance for doubtful debts (impairment loss)				
Carrying amount at beginning of the period	(102)	(50)	-	-
Increase in the allowance	(6)	(58)	-	-
Amounts written off	16	6	-	-
Carrying amount at the end of the period	(92)	(102)	-	-

Interest rate and credit risk

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

South Australian Fire and Emergency Services Commission
Notes to and forming part of the financial statements
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17 Other financial assets

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current				
Medium Term Deposits - Groups/Brigades/Units	2 772	2 657	-	-
Total current other financial assets	2 772	2 657	-	-

18 Non-current assets classified as held for sale

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Land	742	982	-	-
Buildings	-	14	-	-
Total non-current assets classified as held for sale	742	996	-	-

A tender to sell surplus SACFS land at Port Lincoln during 2011 failed to be realised, and as at 30 June 2017 the property continues to remain on the market for sale.

South Australian Fire and Emergency Services Commission
Notes to and forming part of the financial statements
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19 Property, plant and equipment

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Land				
At valuation	64 685	63 040	-	-
At cost (deemed fair value)	342	342	-	-
Total land	65 027	63 382	-	-
Buildings				
At valuation	113 433	113 849	29	29
At cost (deemed fair value)	20 814	13 811	-	-
Less accumulated depreciation	(18 801)	(13 374)	(11)	(8)
Total buildings	115 446	114 286	18	21
Vehicles				
At valuation	120 761	121 224	-	-
At cost (deemed fair value)	45 758	30 230	26	26
Less accumulated depreciation	(40 584)	(28 872)	(3)	-
Total vehicles	125 935	122 582	23	26
Communication (Comms.) equipment				
At valuation	6 604	6 741	-	-
At cost (deemed fair value)	12 785	3 391	-	-
Less accumulated depreciation	(4 449)	(3 154)	-	-
Total communication equipment	14 940	6 978	-	-
Computer equipment				
At valuation	53	53	18	18
At cost (deemed fair value)	2 235	2 026	448	240
Less accumulated depreciation	(871)	(457)	(146)	(96)
Total computer equipment	1 417	1 622	320	162
Plant and equipment				
At valuation	2 917	2 936	209	209
At cost (deemed fair value)	6 363	5 497	19	19
Less accumulated depreciation	(2 652)	(1 702)	(149)	(115)
Total plant and equipment	6 628	6 731	79	113
Capital work in progress				
Capital work in progress	23 078	30 485	225	-
Total capital work in progress	23 078	30 485	225	-
Total property, plant and equipment	352 471	346 066	665	322

South Australian Fire and Emergency Services Commission
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19 Property, plant and equipment (continued)

Valuation of assets

At 1 January 2014 independent valuations for land, buildings, vehicles, communication, computer, plant and equipment assets were undertaken by Liquid Pacific, Mr M Burns, MRICS, AAPI (CPV). The fair value of all vehicles, communications, computer and plant and equipment items was determined by identifying a market buying price, estimated as written down modern equivalent replacement cost. The fair value of land and buildings was based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

Impairment

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

Movement reconciliation of property, plant and equipment

	Land \$'000	Buildings \$'000	Vehicles \$'000	Comms. equip \$'000	Computer equip \$'000	Plant & equip \$'000	Capital work in progress \$'000	Total \$'000
2017: Consolidated								
Carrying amount at the beginning of the period	63 382	114 286	122 582	6 978	1 622	6 731	30 485	346 066
Additions	1 747	(1)	1	-	(1)	-	25 499	27 245
Disposals	(123)	(32)	(454)	(7)	-	(4)	-	(620)
Assets reclassified (to) / from assets held for sale	-	-	-	-	-	-	-	-
Transfers (to) / from capital WIP	21	6 635	15 628	9 395	209	869	(32 757)	-
Assets received free of charge	-	-	(20)	-	-	-	-	(20)
Depreciation	-	(5 442)	(11 802)	(1 426)	(413)	(968)	-	(20 051)
Transfer to/(from) intangibles	-	-	-	-	-	-	(149)	(149)
Net revaluation increment/(decrement)	-	-	-	-	-	-	-	-
Carrying amount at the end of the period	65 027	115 446	125 935	14 940	1 417	6 628	23 078	352 471

South Australian Fire and Emergency Services Commission
Notes to and forming part of the financial statements
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19 Property, plant and equipment (continued)

	Land	Buildings	Vehicles	Comms. equip	Computer equip	Plant & equip	Capital work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2016: Consolidated								
Carrying amount at the beginning of the period	63 439	109 757	119 600	7 293	1 617	3 707	32 249	337 662
Additions	-	-	26	-	-	-	29 031	29 057
Disposals	-	-	(507)	-	-	(4)	(36)	(547)
Assets reclassified (to) / from assets held for sale	(200)	(14)	-	-	-	-	-	(214)
Transfers (to) / from capital WIP	143	9 979	15 079	993	375	3 866	(30 437)	(2)
Assets received free of charge	-	-	20	-	-	-	-	20
Depreciation	-	(5 436)	(11 636)	(1 308)	(370)	(838)	-	(19 588)
Transfer to/(from) intangibles	-	-	-	-	-	-	(322)	(322)
Carrying amount at the end of the period	63 382	114 286	122 582	6 978	1 622	6 731	30 485	346 066

	Land	Buildings	Vehicles	Comms. equip	Computer equip	Plant & equip	Capital work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2017: SAFECOM								
Carrying amount at the beginning of the period	-	21	26	-	162	113	-	322
Acquisitions	-	-	-	-	-	-	433	433
Transfers (to) / from Capital WIP	-	-	-	-	208	-	(208)	-
Depreciation	-	(3)	(3)	-	(50)	(34)	-	(90)
Carrying amount at the end of the period	-	18	23	-	320	79	225	665

	Land	Buildings	Vehicles	Comms. equip	Computer equip	Plant & equip	Capital work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2016: SAFECOM								
Carrying amount at the beginning of the period	-	24	-	-	217	141	-	382
Acquisitions	-	-	26	-	-	-	341	367
Transfers (to) / from Capital WIP	-	-	-	-	-	19	(19)	-
Transfer to/(from) Intangibles	-	-	-	-	-	-	(322)	(322)
Depreciation	-	(3)	-	-	(55)	(47)	-	(105)
Carrying amount at the end of the period	-	21	26	-	162	113	-	322

South Australian Fire and Emergency Services Commission
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20 Intangible Assets

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Computer software				
At cost	4 918	4 784	4 004	4 004
Less accumulated amortisation	(3 644)	(2 833)	(2 952)	(2 152)
Total computer software	1 274	1 951	1 052	1 852
Total intangible assets	1 274	1 951	1 052	1 852

Movement reconciliation of intangible assets

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	1 951	2 391	1 852	2 266
Transfers from capital WIP	149	322	-	322
Amortisation	(826)	(762)	(800)	(736)
Carrying amount at the end of the period	1 274	1 951	1 052	1 852

Asset details and amortisation

Intangible assets detailed above relate to computer software externally acquired.

Impairment

There were no indications of impairment of intangible assets at 30 June 2017.

South Australian Fire and Emergency Services Commission
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21 Fair value measurement

Fair Value Hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purpose. SAFECOM categorises non-financial assets measured at fair value into hierarchy bases on the level of inputs used in measurement.

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2017.

SAFECOM had no valuations categorized into level 1.

Fair value measurements at 30 June 2017	Consolidated			SAFECOM Entity		
	Level 2	Level 3	Total	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements						
Land (note 19)	15 080	49 947	65 027	-	-	-
Buildings (note 19)	19 545	95 901	115 446	-	18	18
Vehicles (note 19)	-	125 935	125 935	-	23	23
Communication (Comms.) equipment (note 19)	-	14 940	14 940	-	-	-
Computer equipment (note 19)	-	1 417	1 417	-	320	320
Plant and equipment (note 19)	-	6 628	6 628	-	79	79
Total recurring fair value measurements	34 625	294 768	329 393	-	440	440
Non-recurring fair value measurements						
Land held for sale (note 18)	742	-	742	-	-	-
Building held for sale (note 18)	-	-	-	-	-	-
Total non-recurring fair value measurements	742	-	742	-	-	-
Total fair value measurements	35 367	294 768	330 135	-	440	440

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Fair value measurements at 30 June 2016	Consolidated			SAFECOM Entity		
	Level 2	Level 3	Total	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements						
Land (note 19)	13 443	49 939	63 382	-	-	-
Buildings (note 19)	13 859	100 427	114 286	-	21	21
Vehicles (note 19)	-	122 581	122 581	-	26	26
Communication (Comms.) equipment (note 19)	-	6 978	6 978	-	-	-
Computer equipment (note 19)	-	1 622	1 622	-	162	162
Plant and equipment (note 19)	-	6 731	6 731	-	113	113
Total recurring fair value measurements	27 302	288 278	315 580	-	322	322
Non-recurring fair value measurements						
Land held for sale (note 18)	982	-	982	-	-	-
Building held for sale (note 18)	14	-	14	-	-	-
Total non-recurring fair value measurements	996	-	996	-	-	-
Total fair value measurements	28 298	288 278	316 576	-	322	322

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2017. SAFECOM's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Refer to APF III Asset Accounting Framework for guidance in determining the applicable fair value hierarchy disclosure level.

Valuation techniques and inputs

Valuation techniques and inputs used to derive level 2 and 3 fair values are at note 20. There were no changes in the valuation techniques during 2017.

Land subject to restricted use is considered within Input Level 3.

Buildings that are specialised are classified as Input Level 3.

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

2017: Consolidated

Reconciliation of Level 3 recurring fair value measurement at 30 June 2017

	Land	Buildings	Vehicles	Comms. equip	Computer equip	Plant & equip	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at the beginning of the period	49 939	100 427	122 581	6 978	1 622	6 731	288 278
Capitalised asset transfers	-	267	15 610	9 395	209	869	26 350
Assets received free of charge	22	40	-	-	-	-	62
Depreciation	-	(4 801)	(11 803)	(1 426)	(414)	(968)	(19 412)
Disposals	(14)	(32)	(453)	(7)	-	(4)	(510)
Total gains / (losses) recognised in net result	8	(4 526)	3 354	7 962	(205)	(103)	6 490
Closing balance at the end of the period	49 947	95 901	125 935	14 940	1 417	6 628	294 768

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21 Fair value measurement (continued)

2017: SAFECOM Entity

Reconciliation of Level 3 recurring fair value measurement at 30 June 2017

	Land \$'000	Buildings \$'000	Vehicles \$'000	Comms. equip \$'000	Computer equip \$'000	Plant & equip \$'000	Total \$'000
Opening balance at the beginning of the period	-	21	26	-	162	113	322
Capitalised asset transfers	-	-	-	-	208	-	208
Depreciation	-	(3)	(3)	-	(50)	(34)	(90)
Total gains / (losses) recognised in net result	-	(3)	(3)	-	158	(34)	118
Closing balance at the end of the period	-	18	23	-	320	79	440

2016: Consolidated

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

	Land \$'000	Buildings \$'000	Vehicles \$'000	Comms. equip \$'000	Computer equip \$'000	Plant & equip \$'000	Total \$'000
Opening balance at the beginning of the period	50 126	95 331	119 600	7 293	1 617	3 707	277 674
Capitalised asset transfers	53	9 979	15 193	993	375	3 866	30 459
Assets reclassified to assets held for sale	(240)	(14)	-	-	-	-	(254)
Assets received free of charge	-	-	20	-	-	-	20
Depreciation	-	(4 869)	(11 636)	(1 308)	(370)	(838)	(19 021)
Disposals	-	-	(596)	-	-	(4)	(600)
Total gains / (losses) recognised in net result	(187)	5 096	2 981	(315)	5	3 024	10 604
Closing balance at the end of the period	49 939	100 427	122 581	6 978	1 622	6 731	288 278

2016: SAFECOM Entity

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

	Land \$'000	Buildings \$'000	Vehicles \$'000	Comms. equip \$'000	Computer equip \$'000	Plant & equip \$'000	Total \$'000
Opening balance at the beginning of the period	-	24	-	-	217	141	382
Capitalised asset transfers	-	-	26	-	-	19	45
Depreciation	-	(3)	-	-	(55)	(47)	(105)
Total gains / (losses) recognised in net result	-	(3)	26	-	(55)	(28)	(60)
Closing balance at the end of the period	-	21	26	-	162	113	322

South Australian Fire and Emergency Services Commission
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22 Payables

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current				
Creditors	7 754	6 902	505	595
Accrued expenses	2 455	2 858	528	483
Paid parental leave scheme payable	6	3	3	-
Employment on-costs	3 393	3 766	171	178
Total current payables	13 608	13 529	1 207	1 256
Non-current				
Creditors	8	6	-	-
Employment on-costs	2 746	2 479	166	167
Total non-current payables	2 754	2 485	166	167
Total payables	16 362	16 014	1 373	1 423

Employment on-costs

Employment on-costs include payroll tax, WorkCover levies and superannuation contributions. SAFECOM 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 scheme. The only liability outstanding at reporting date relates to any contributions due but not yet paid to State Government and externally managed superannuation schemes.

The actuarial assessment performed by the Department of Treasury and Finance, has resulted in the percentage of the proportion of long service leave taken remain unchanged from 40%, and the average factor for the calculation of employer superannuation cost on-cost has decreased from 2016 (10.2%) to 2017(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 decrease in the employment on-cost of SAFECOM \$0.002 million, Consolidated \$0.027 million and employee benefit expense of SAFECOM \$0.002 million, Consolidated \$0.027 million. The estimated impact on future periods is not expected to be materially different to the effect on the current period as shown above.

Interest rate and credit risk

Payables are measured at nominal amounts. 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.

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23 Employee benefits

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current				
Accrued salaries and wages	2 619	876	128	98
Annual leave	12 530	11 335	634	661
Skills and experience retention leave	1 502	1 288	60	61
Long service leave	2 485	2 273	164	167
Total current employee benefits	19 136	15 772	986	987
Non-current				
Long service leave	29 598	26 638	1 797	1 806
Total non-current employee benefits	29 598	26 638	1 797	1 806
Total employee benefits	48 734	42 410	2 783	2 793

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 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 decrease in the long service leave liability of SAFECOM \$0.060 million, Consolidated \$1.294 million and employee benefits expense of SAFECOM \$0.060 million, Consolidated \$1.294 million.

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.

In 2017 the SAMFS identified an error in the long service leave liability estimate for 30 June 2016. The subsequent correction of this error in 2017 largely explains the increase in the liability.

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24 Provisions

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current				
Provision for workers compensation	8 613	8 746	21	31
Total current provisions	8 613	8 746	21	31
Non-current				
Provision for workers compensation	10 314	14 069	21	40
Total non-current provisions	10 314	14 069	21	40
Total provisions	18 927	22 815	42	71
Provision movement				
Carrying amount at the beginning of the period	22 815	13 701	71	94
Additional provision recognised	3 027	19 241	11	(22)
Reductions arising from payments	(6 915)	(10 127)	(40)	(1)
Carrying amount at the end of the period	18 927	22 815	42	71

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.

Presumptive workers compensation coverage for firefighters for a range of cancers came into effect from 1 July 2013. The workers compensation provision as at 30 June 2017 includes an actuarial assessment of firefighters cancer claims. The actuary has included an estimate for injuries incurred but not reported. The actuarial assessment is sensitive to changes in assumptions and as claim costs are received and assessed, assumptions will be based on more extensive experience.

25 Equity

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Retained earnings	241 966	231 976	4 422	2 818
Asset revaluation surplus	64 846	64 846	-	-
Total equity	306 812	296 822	4 422	2 818

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

South Australian Fire and Emergency Services Commission
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26 Related party transactions

SAFECOM is a body corporate and is an agency of the Crown established by the Act.

Related parties of SAFECOM 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

SAFECOM 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 Consolidated, SAFECOM and other SA Government controlled entities are disclosed at note 32 .

Key management personnel

The Consolidated key management personnel includes the Minister, the members of the SAFECOM Board which includes the Chief Executive of SAFECOM who is the presiding member, the Chief Officers of MFS, CFS and SES, and four members of the Executive Teams, who have responsibility for the strategic direction and management of the agencies.

Key management personnel of SAFECOM include the Minister, the members of the SAFECOM Board and the Chief Executive of SAFECOM, who have responsibility for the strategic direction and management of the agency.

The compensation detailed below for Consolidated includes salaries and other benefits for all executive personnel and non-government Board members paid by SAFECOM, MFS, CFS and SES. The compensation detailed below for SAFECOM includes salaries and other benefits for the Chief Executive of SAFECOM and non-government Board members paid by SAFECOM.

The compensation detailed below excludes salaries and other benefits the Minister for Emergency Services 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*.

	Consolidated	SAFECOM Entity
	2017	2017
Compensation	\$'000	\$'000
Salaries and other short term employee benefits	1 734	163
Post-employment benefits	535	346
Total compensation	2 269	509

Transactions with key management personnel and other related parties

There are no material transactions or balances to disclose with key management personnel or related parties.

South Australian Fire and Emergency Services Commission
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27 Cash flow reconciliation

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'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	29 358	22 705	5 379	4 492
Balance as per Statement of Cash Flows	29 358	22 705	5 379	4 492
Reconciliation of net cash provided by / (used in) operating activities to net cost of providing services				
Net cash provided by / (used in) operating activities	32 368	26 424	1 339	(2 478)
Less revenues from SA Government	(247 283)	(240 084)	(14 741)	(12 897)
Payments to SA Government	-	-	-	-
Add / less non-cash items				
Depreciation and amortisation	(20 877)	(20 350)	(890)	(841)
Assets received free of charge	-	-	-	-
Assets received free of charge	62	20	-	-
Net revaluation decrement recognised in Statement of Comprehensive Income	-	-	-	-
Net gain / (loss) from disposal of non-current assets	10	(166)	-	-
Movements in assets and liabilities				
(Decrease) / increase in receivables	532	(1 223)	1 085	(190)
(Increase) / decrease in payables	152	(3 583)	31	645
(Increase) / decrease in employee benefits	(6 145)	(320)	10	(52)
(Increase) / decrease in provisions	3 888	(9 114)	29	23
Net cost of providing services	(237 293)	(248 396)	(13 137)	(15 790)

28 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:

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Within one year	2 476	3 216	197	429
Later than one year but not later than five years	2 514	3 416	3	191
Later than five years	249	528	-	-
Total operating lease commitments	5 239	7 160	200	620

These non-cancellable leases relate to vehicle and property leases, with rental payable monthly. Contingent rental provisions within the property lease agreements require the minimum monthly lease payments to be increased annually or based on a Consumer Price Index movement.

South Australian Fire and Emergency Services Commission
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28 Unrecognised contractual commitments (continued)

Capital commitments

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

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Within one year	2 324	7 025	177	140
Total capital commitments	2 324	7 025	177	140

These capital commitments are for property and vehicles and PABX system.

Expenditure commitments

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

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Within one year	11 253	8 290	2 928	1 327
Later than one year but not later than five years	2 804	8 687	148	2 471
Total expenditure commitments	14 057	16 977	3 076	3 798

Expenditure commitments relate to a range of general goods and services used in operational areas.

29 Contingent assets and liabilities

Contingent assets

SAFECOM entity is not aware of any contingent assets.

SAFECOM consolidated

CFS is currently in negotiation to resolve a leave dispute with a small group of CFS employees that resulted in the overpayment of leave entitlements. As at 30 June 2017, no resolution had been reached, therefore an estimate of expected repayments cannot be determined at this stage. The value of leave accrued in excess of entitlements was \$638,000.

SES has a contingent asset in the form of an unresolved litigation. However, the outcome cannot be reliably determined at this stage.

Contingent liabilities

SAFECOM entity is not aware of any contingent liabilities.

SAFECOM consolidated

CFS is currently investigating an issue relating to the underpayment of 31 CFS employees. On resolution there is a high probability that back payment of wages will be required, but as at 30 June 2017 a reliable estimate cannot be made.

SAFECOM consolidated has several other contingent liabilities for SACFS in the form of unresolved litigation. However, the outcome cannot be reliably determined at this stage. In each case the financial exposure is limited to a \$10 000 excess under insurance arrangements.

South Australian Fire and Emergency Services Commission
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30 Remuneration of board and committee members

Members of boards and committees during 2017 were:

South Australian Fire and Emergency Services Commission Board

Mr A Wood (term expired 26 May 2017)
 Ms A De Piaz * (term expired 26 May 2017)
 Mr C Beattie *
 Dr D Keenan (term expired 26 May 2017)
 Mr D Barry * (term expired 26 May 2017)
 Mr G Crossman AFSM *
 Mr G Nettleton *
 Mr G Northcott (term expired 26 May 2017)
 Ms H Chalmers **
 Mr Malcolm Jackman *
 Ms M Adlam (term expired 26 May 2017)
 Mr M Morgan AFSM * (term expired 26 May 2017)
 Mr R Flavell (term expired 26 May 2017)
 Ms S Caracoussis (term expired 26 May 2017)
 Ms V Hickey
 Mr W Hicks ESM (term expired 26 May 2017)

South Australian Fire and Emergency Services Commission Audit and Risk Committee

Mr A Chia ***
 Ms H Chalmers **
 Ms V Hickey

South Australian Metropolitan Fire Service Disciplinary Committee

Mr C Bailes (term expired 31 Jan 2017)
 Mr C Smith * (retired 15 Mar 2017)
 Mr L Holland (appointed 15 Mar 2017)
 Mr M Vander-Jeugd *
 Mr P Kilsby *
 Mr S Smithson *

State Bushfire Coordination Committee

Mr A Harvey * (appointed 1 Jul 2016)
 Mr A Grear * (appointed 1 Jul 2016)
 Ms A De Piaz
 Mr C Daniels (appointed 1 Jul 2016)
 Mr D Colliar * (appointed 1 Jul 2016)
 Mr D Gilbertson (appointed 1 Jul 2016)
 Ms F Dunstan *
 Mr F Crisci *
 Mr G Pelton *
 Mr G Nettleton *
 Ms J Frizenschaf *
 Mr J Crocker *
 Mr J O'Hehir * (appointed 1 Jul 2016)
 Mr J Wiseman *
 Mr J Nairn *
 Mr J Neal (appointed 1 Jul 2016)
 Ms K Stanley-Murray
 Ms K Egan
 Mr M Peters * (appointed 1 Jul 2016)
 Mr M Sutton *
 Mr M Winters * (appointed 1 Jul 2016)
 Mr M Healy * (appointed 1 Jul 2016)
 Mr M Roche
 Ms N Rea
 Mr N Bamford * (appointed 1 Jul 2016)
 Mr P White
 Mr P Kilsby * (appointed 1 Jul 2016)
 Mr R Tretheway (appointed 1 Jul 2016)
 Mr S Duval * (appointed 1 Jul 2016)
 Mr S Pascale *
 Mr S Barone (appointed 1 Jul 2016)
 Ms S Mickan
 Mr T Kelly
 Mr W Thorley
 Mr W McIntosh

South Australian Fire and Emergency Services Commission
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30 Remuneration of board and committee members (continued)

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

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	No. of	No. of	No. of	No. of
	employees	employees	employees	employees
\$nil	45	46	12	15
\$1 - \$9 999	5	5	-	1
\$20 000 - \$29 999	4	3	4	3
\$30 000 - \$39 999	1	2	1	2
Total	55	56	17	21

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 SAFECOM Consolidated \$135 800 (2016: \$153 100) and SAFECOM \$129 000 (2016: \$147 100).

*In accordance with the Premier and Cabinet's Circular Number 016, government employees did not receive any remuneration for board/committee duties during the financial year.

**Board member commenced employment as a government employee as of 14th March 2017 and therefore ceased to be entitled to any remuneration from that date in accordance with the Premier and Cabinet's Circular Number 016.

***Board member ceased to be employment as a government employee as of 31st March 2017 and therefore is entitled to remuneration from that date in accordance with the Premier and Cabinet's Circular Number 016.

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

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

31 Events after the reporting period

There were no events after the reporting period affecting the financial statements.

South Australian Fire and Emergency Services Commission
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32 Transactions with SA Government – Consolidated

		SA Government		Non-SA Government		Total	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses							
Employee benefits expense	5	10 631	26 809	144 238	136 800	154 869	163 609
Supplies and services	6						
Accommodation		3	350	363	74	366	424
Aerial support costs		50	29	7 042	9 045	7 092	9 074
Auditor's remuneration		198	202	-	-	198	202
Communications		990	105	2 010	3 749	3 000	3 854
Computing costs		638	991	3 285	2 653	3 923	3 644
Consultancy, contractor and legal fees		528	560	3 383	3 987	3 911	4 547
Consumables		250	213	2 933	2 765	3 183	2 978
Energy		67	50	1 556	1 548	1 623	1 598
Government radio network		15 015	14 649	-	-	15 015	14 649
Insurance premiums		536	659	66	66	602	725
Minor plant and equipment		9	5	3 205	2 963	3 214	2 968
Operating lease costs		3 186	3 187	1 048	991	4 234	4 178
Operational costs		49	68	2 036	1 972	2 085	2 040
Repairs and maintenance		2 110	2 151	8 480	8 342	10 590	10 493
Shared Services SA payments		1 763	1 597	(55)	-	1 708	1 597
Travel and training		243	88	3 977	3 725	4 220	3 813
Uniforms and protective clothing		18	1	4 685	3 892	4 703	3 893
Other expenses		704	617	3 139	3 571	3 843	4 188
Depreciation and amortisation expense	7	-	-	20 877	20 350	20 877	20 350
Grants and subsidies		642	294	2 127	2 925	2 769	3 219
Net gain (loss) from disposal of non-current assets	8	6	29	(16)	137	(10)	166
Total expenses		37 636	52 654	214 379	209 555	252 015	262 209
Income							
Revenues from fees and charges	9						
Fire alarm attendance fees		589	479	2 070	1 827	2 659	2 306
Fire safety fees		10	18	370	435	380	453
Fire alarm monitoring fees		272	271	2 102	2 034	2 374	2 305
Incident cost recoveries			51	-	459	-	510
Training and other recoveries		165	63	153	118	318	181
Salary recovery		722	692	-	45	722	737
Other recoveries		5	9	9	7	14	16
Grants and contributions	10						
Commonwealth Government		-	-	5 246	5 198	5 246	5 198
Private industry and local government		-	-	6	13	6	13
State Government		279	244	-	-	279	244
Interest revenues	11	229	288	-	-	229	288
Resources received free of charge	12	-	-	62	20	62	20
Other income	13						
Donations		-	-	6	1	6	1
Groups/Brigades/Units fundraising		-	-	321	221	321	221
Rent received		-	-	458	467	458	467
Insurance recoveries		139	116	20	63	159	179
Other		616	193	873	481	1 489	674
Revenues from SA Government	14						
Revenues from SA Government		247 283	240 084	-	-	247 283	240 084
Total income		250 309	242 508	11 696	11 389	262 005	253 897

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32 Transactions with SA Government - Consolidated (continued)

		SA Government		Non-SA Government		Total	
	Note	2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Cash and cash equivalents	15	23 577	17 115	5 782	5 590	29 359	22 705
Receivables	16						
Receivables		87	194	1 755	1 367	1 842	1 561
Less: Allowance for doubtful debts		-	-	(92)	(102)	(92)	(102)
Accrued revenues		43	31	56	25	99	56
GST input tax recoverable		-	-	2 369	2 171	2 369	2 171
Other financial assets	17	-	-	2 772	2 657	2 772	2 657
Total financial assets		23 707	17 340	12 642	11 708	36 349	29 048
Financial liabilities							
Payables	22						
Creditors		2 249	1 289	5 513	5 619	7 762	6 908
Accrued expenses		759	2 165	1 696	693	2 455	2 858
Paid parental leave scheme payable		-	-	6	3	6	3
Employment on-costs		3 133	2 955	3 006	3 290	6 139	6 245
Total financial liabilities		6 141	6 409	10 221	9 605	16 362	16 014

Transactions with SA Government - SAFECOM

		SA Government		Non-SA Government		Total	
	Note	2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses							
Employee benefits expense	5	374	392	7 094	7 617	7 468	8 009
Supplies and services	6						
Auditor's remuneration		112	117	-	-	112	117
Communications		897	37	164	1 904	1 061	1 941
Computing costs		77	169	698	651	775	820
Consultancy, contractor and legal fees		48	291	247	564	295	855
Consumables		6	12	51	36	57	48
Energy		9	9	-	-	9	9
Insurance premiums		10	9	-	-	10	9
Minor plant and equipment		-	-	24	1	24	1
Operating lease costs		417	411	-	5	417	416
Operational costs		-	-	5	14	5	14
Repairs and maintenance		98	79	39	11	137	90
Shared Services SA payments		1 708	1 597	-	-	1 708	1 597
Travel and training		3	5	197	134	200	139
Uniforms and protective clothing		-	-	4	-	4	-
Other expenses		4	8	530	739	534	747
Depreciation and amortisation expense	7	-	-	890	841	890	841
Grants and subsidies		672	920	1 571	2 109	2 243	3 029
Total expenses		4 435	4 056	11 514	14 626	15 949	18 682

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32 Transactions with SA Government – SAFECOM (continued)

		SA Government		Non-SA Government		Total	
	Note	2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income							
Revenues from fees and charges	9						
Salary recovery		631	679	-	-	631	679
Incident cost recoveries		-	29	-	-	-	29
Other recoveries		-	-	5	-	5	-
Grants and contributions	10						
Commonwealth Government		-	-	2 088	2 088	2 088	2 088
Interest revenues	11	67	53	-	-	67	53
Other income	13						
Other		-	-	21	43	21	43
Revenues from SA Government	14						
Revenues from SA Government		14 741	12 897	-	-	14 741	12 897
Total income		15 439	13 658	2 114	2 131	17 553	15 789
Financial assets							
Cash and cash equivalents	15	5 379	4 492	-	-	5 379	4 492
Receivables	16						
Receivables		5	29	1 050	-	1 055	29
Accrued revenues		6	5	-	-	6	5
GST input tax recoverable		-	-	463	405	463	405
Total financial assets		5 390	4 526	1 513	405	6 903	4 931
Financial liabilities							
Payables	22						
Creditors		312	63	193	532	505	595
Accrued expenses		364	275	164	208	528	483
Paid parental leave scheme payable		-	-	3	-	3	-
Employment on-costs		169	172	168	173	337	345
Total financial liabilities		845	510	528	913	1 373	1 423

South Australian Fire and Emergency Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2017

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

The following are brief explanations of variances between original budget and actual amounts. Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of the original budgeted total expenses.

		Original Budget ¹ 2017 \$'000	SAFECOM Actual 2017 \$'000	Variance 2017 \$'000
Statement of Comprehensive Income	Note			
Expenses				
Employee benefits		7 115	7 468	353
Supplies and services		5 130	5 348	218
Depreciation and amortisation		867	890	23
Grants and subsidies	(a)	5 108	2 243	(2 865)
Total Expenses		18 220	15 949	(2 271)
Income				
Fees and charges		619	636	17
Grants and contributions	(b)	4 176	2 088	(2 088)
Interest		24	67	43
Other		138	21	(117)
Total Income		4 957	2 812	(2 145)
Net cost of providing services		13 263	13 137	(126)
Revenues from / (payments to) SA Government				
Revenues from SA Government	(c)	11 952	14 741	2 789
Net Revenues from / (payments to) SA Government		11 952	14 741	2 789
Net result		(1 311)	1 604	2 915
Total comprehensive result		(1 311)	1 604	2 915

¹ The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budget financial statements in respect of the reporting period (2016-17 Budget Paper 4). These original budget 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.

- (a) Variance relates to timing and carryovers in Natural Disaster Resilience Program grants.
- (b) Primarily related to Natural Disaster Resilience Program grants with \$2.088 million to be received in 2017-18.
- (c) Variance relates to Natural Disaster Resilience Program with state matching component for the 2015-17 program received in 2016-17.

South Australian Fire and Emergency Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2017

33 Budgetary reporting and explanations of major variances between budget and actual amounts (continued)

		Original Budget ¹ 2017 \$'000	Actual 2017 \$'000	Variance 2017 \$'000
	Note			
Investing Expenditure Summary				
Total annual programs	(d)	-	433	433
Total investing expenditure		-	433	433

(d) The original budget for capital expenditure was revised during the year to \$369 000. Actual expenditure was for capital system upgrades.

¹ The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budget financial statements in respect of the reporting period (2016-17 Budget Paper 4). These amounts have not been adjusted to reflect revised budgets.

34 Financial risk management/financial instruments

34.1 Financial risk management

Risk management is managed by SAFECOM corporate 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 exposure of SAFECOM to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held. There have been no changes in risk exposure since the last reporting period.

34.2 Categorisation of financial instruments

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

Refer note 35.3 for the carrying amounts of each of the following categories of financial assets and liabilities: Held-to-maturity investments; receivables and payables measured at cost.

SAFECOM 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, 17 and 23).
- Held-to-maturity investments are initially recognised at fair value, then subsequently held at amortised cost. This is the most representative of fair value in the circumstances (refer notes 2 and 18).

34.3 Liquidity risk

Liquidity risk arises from the possibility that SAFECOM is unable to meet its financial obligations as they fall due. SAFECOM is funded principally from the Fund. SAFECOM works with the Fund to determine the cash flows associated with its government approved program of work to ensure funding meets the expected cash flows.

South Australian Fire and Emergency Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2017

34 Financial risk management/financial instruments (continued)

Table 34.3 Categorisation and maturity analysis of financial assets and liabilities

Category of financial asset and financial liability	Notes	2017 Carrying amount / fair value \$'000	2017 Contractual Maturities Consolidated		2017 Carrying amount / fair value \$'000	2017 Contractual Maturities SAFECOM Entity	
			Current \$'000	More than 5 years \$'000		Current \$'000	More than 5 years \$'000
Financial assets							
Cash and cash equivalents	15	29 358	29 358	-	5 379	5 379	-
Receivables ⁽¹⁾⁽²⁾	16	1 840	1 840	-	1 059	1 059	-
Other financial assets	17	2 913	2 913	-	-	-	-
Total financial assets		34 111	34 111	-	6 438	6 438	-
Financial liabilities							
Payables ⁽¹⁾	22	9 861	9 853	8	922	922	-
Total financial liabilities		9 861	9 853	8	922	922	-

Category of financial asset and financial liability	Notes	2016 Carrying amount / fair value \$'000	2016 Contractual Maturities Consolidated		2016 Carrying amount / fair value \$'000	2016 Contractual Maturities SAFECOM Entity	
			Current \$'000	More than 5 years \$'000		Current \$'000	More than 5 years \$'000
Financial assets							
Cash and cash equivalents	15	22 705	22 705	-	4 492	4 492	-
Receivables ⁽¹⁾⁽²⁾	16	1 486	1 486	-	34	34	-
Other financial assets	17	2 657	2 657	-	-	-	-
Total financial assets		26 848	26 848	-	4 526	4 526	-
Financial liabilities							
Payables ⁽¹⁾	22	9 132	9 126	6	955	955	-
Total financial liabilities		9 132	9 126	6	955	955	-

South Australian Fire and Emergency Services Commission
Notes to and forming part of the financial statements
for the year ended 30 June 2017

34 Financial risk management/financial instruments (continued)

¹ Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; 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.

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. 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.

34.4 Credit risk

SAFECOM has minimal concentration of credit risk. SAFECOM has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. SAFECOM 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 SAFECOM.

34.5 Market risk

SAFECOM has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). SAFECOM's exposure to market risk and cash flow interest risk is minimal. There is minimal exposure to foreign currency or other price risks.

SAFECOM does not trade in foreign currency, enter into transactions for speculative purposes, nor for hedging. SAFECOM 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 *T1 23 Management of Foreign Currency Exposures*.

35 Trust funds

	Consolidated		SAFECOM Entity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Cash at bank	439	350	-	-
Total trust funds	439	350	-	-

The trust funds represent funds held by the Australian Council of State Emergency Services. The funds will be utilised to meet expenses incurred by each of the State Emergency Services Headquarters in Australia. SAFECOM will administer these funds until they are fully expended. In 2016-17, total income earned by the Council was \$0.080m and expenses incurred totalled \$0.001m.

Community Emergency Services Fund
Statement of Administered Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Administered expenses			
Contributions to SA Government administrative units	A 3	271 552	264 477
Grants and subsidies	A 4	3 669	2 674
Other	A 5	10 514	9 258
Total administered expenses		285 735	276 409
Administered income			
Levy sources	A 6	296 027	277 975
Fees and charges	A 7	464	442
Interest	A 8	1 348	1 308
Total administered income		297 839	279 725
Net result		12 104	3 316
Total comprehensive result		12 104	3 316

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

Community Emergency Services Fund
Statement of Administered Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Administered current assets			
Cash and cash equivalents	A 9	22 335	34 518
Receivables	A 10	1 468	1 625
Total current assets		23 803	36 143
Administered current liabilities			
Payables	A 11	834	25 278
Total current liabilities		834	25 278
Net assets		22 969	10 865
Administered equity			
Retained earnings		22 969	10 865
Total equity		22 969	10 865

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

Unrecognised contractual commitments	A 13
Contingent assets and liabilities	A 14

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

Community Emergency Services Fund
Statement of Administered Changes in Equity
for the year ended 30 June 2017

	Note	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2015		7 549	7 549
Net result for 2015-16		3 316	3 316
Total comprehensive result for 2015-16		3 316	3 316
Balance at 30 June 2016		10 865	10 865
Net result for 2016-17		12 104	12 104
Total comprehensive result for 2016-17		12 104	12 104
Balance at 30 June 2017		22 969	22 969

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

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

Community Emergency Services Fund
Statement of Administered Cash Flows
for the year ended 30 June 2017

		2017	2016
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash outflows			
Payments to SA Government administrative units		(295 470)	(240 519)
Payments of grants and subsidies		(3 612)	(2 712)
Other payments		(11 097)	(9 182)
Cash used in operations		(310 179)	(252 413)
Cash inflows			
Receipts from levy sources		296 175	278 622
Fees and charges		464	444
Interest received		1 357	1 294
Cash generated from operations		297 996	280 360
Net cash provided by / (used in) operating activities	A 12	(12 183)	27 947
Net increase / (decrease) in cash and cash equivalents		(12 183)	27 947
Cash and cash equivalents at the beginning of the reporting period		34 518	6 571
Cash and cash equivalents at the end of the reporting period	A 9	22 335	34 518

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

Community Emergency Services Fund
Notes to and forming part of the administered statements
For the year ended 30 June 2017

A 1 Establishment, objectives and funding arrangements

Establishment

The Community Emergency Services Fund (CESF) is established pursuant to the *Emergency Services Funding Act 1988* (the Act).

Objectives

CESF is the primary source of funding for the State Government's key emergency services agencies: the SA Metropolitan Fire Service, SA Country Fire Service, SA State Emergency Service and SA Fire and Emergency Services Commission. CESF also provides funding to other State Government agencies and Non-Government Organisations for the provision of emergency services and its related activities, and collection and administration costs, as allowed under section 28(4) the Act.

Funding arrangements

Under section 28(3) the Act, funds collected through the Emergency Services Levy (fixed and mobile property) for both private and Government property owners, Government contributions for concessions and remissions to property owners and interest earned on cash balances are paid into CESF. The administration, collection and policy-setting of the Emergency Service Levy falls within the portfolio responsibilities of the Treasurer.

A 2 Significant accounting policies

CESF adopts the accounting policies of SAFECOM, as detailed in Note 2 of SAFECOM's Financial Statements.

A 3 Contributions to SA Government administrative units

	2017	2016
	\$'000	\$'000
South Australian Fire and Emergency Services Commission	12 250	10 795
South Australian State Emergency Service	19 971	16 290
South Australian Country Fire Service	75 715	74 389
South Australian Metropolitan Fire Service	136 603	136 443
South Australian Police	21 076	20 563
South Australian Police - Government radio network	722	704
Attorney-General's Department - State Rescue Helicopter Service	670	654
South Australian Ambulance Service	1 132	1 104
South Australian Ambulance Service - Government radio network	219	214
Department of Environment, Water and Natural Resources	3 194	3 321
Total contributions to SA Government administrative units	271 552	264 477

Community Emergency Services Fund
Notes to and forming part of the administered statements
For the year ended 30 June 2017

A 4 Grants and subsidies

	2017	2016
	\$'000	\$'000
Surf Life Saving South Australia	2 130	1 202
Volunteer Marine Rescue	1 187	1 158
Shark Beach Patrol	352	314
Total grants and subsidies	3 669	2 674

A 5 Other expenses

	2017	2016
	\$'000	\$'000
Revenue SA - collection costs	6 501	6 342
Department of Planning, Transport and Infrastructure - collection costs	1 040	1 023
Fixed property refunds	2 351	1 287
Administration costs	622	606
Total other expenses	10 514	9 258

A 6 Revenues from levy sources

	2017	2016
	\$'000	\$'000
Fixed property collections	218 709	199 281
Fixed property remissions	24 569	26 484
Mobile collections	43 341	42 639
Mobile remissions	3 261	3 123
Government concessions	6 147	6 448
Total revenues from levy sources	296 027	277 975

A 7 Revenues from fees and charges

	2017	2016
	\$'000	\$'000
Certificate sales and from other entities within the SA Government	464	442
Total revenue from fees and charges	464	442

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

A 8 Interest revenues

	2017	2016
	\$'000	\$'000
Interest on deposit accounts - from entities within the SA Government	1 348	1 308
Total interest revenues	1 348	1 308

Community Emergency Services Fund
Notes to and forming part of the administered statements
For the year ended 30 June 2017

A 9 Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Deposits with the Treasurer	22 335	34 518
Total cash and cash equivalents	22 335	34 518

Cash is measured as nominal amounts.

Deposits with the Treasurer

One operating account is held with the Treasurer. This account is interest bearing.

Interest Rate Risk

Deposits with the Treasurer earn a floating point interest rate based on daily bank deposit rates. The carrying amount of cash and cash equivalents approximates fair value.

A 10 Receivables

	2017	2016
	\$'000	\$'000
Current		
Receivables from entities within the SA Government	1 468	1 625
Total cash and cash equivalents	1 468	1 625

All receivable amounts disclosed above are expected to be recovered within 12 months after reporting date.

Interest rate and credit risk

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

A 11 Payables

	2017	2016
	\$'000	\$'000
Current		
Creditors	834	25 278
Total current payables	834	25 278

Interest rate and credit risk

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. All payables are non-interest bearing. The carrying amount of payables represents fair value due to amounts being payable on demand.

Community Emergency Services Fund
Notes to and forming part of the administered statements
For the year ended 30 June 2017

A 12 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 Administered Financial Position	22 335	34 518
Balance as per the Statement of Administered Cash Flows	22 335	34 518
Reconciliation of net cash provided by / (used in) operating activities to net cost of providing services		
Net cash provided by/(used in) operating activities	(12 183)	27 947
Movements in assets and liabilities		
(Decrease) in receivables	(156)	(635)
(Increase) / decrease in payables	24 443	(23 996)
Net cost of providing services	12 104	3 316

A 13 Unrecognised contractual commitments

CESF has no unrecognised contractual commitments at reporting date.

A 14 Contingent assets and liabilities

CESF is not aware of any contingent assets or contingent liabilities.

A 15 Events after the reporting period

There were no events after the reporting period affecting the financial statements.

Community Emergency Services Fund
Notes to and forming part of the administered statements
For the year ended 30 June 2017

A 16 Budgetary reporting and explanations of major variances between budget and actual amounts

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

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

		Original Budget ¹ 2017 \$'000	Actual 2017 \$'000	Variance \$'000
Statement of Comprehensive Income	Note			
Expenses				
Contributions to SA Government administrative units		276 291	271 552	(4 739)
Grants and subsidies		4 368	3 669	(699)
Other		8 918	10 514	1 596
Total administered expenses		289 577	285 735	(3,842)
Income				
Levy sources		290 476	296 027	5 551
Fees and charges		424	464	40
Interest		1 500	1 348	(152)
Total administered income		292 400	297 839	5,439
Net result		2 823	12 104	9 281
Total comprehensive result		2 823	12 104	9 281

¹ The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budget financial statements in respect of the reporting period (2016-17 Budget Paper 4). These original budget 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.

There were no variances where the variance exceeds the greater of 10% of the original budget amount and 5% of original budgeted total expenses.

A 17 Financial risk management/financial instruments

A 17.1 Financial risk management

Risk management is managed by SAFECOM corporate services section and the 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 exposure of CESF to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held. There have been no changes in risk exposure since the last reporting period.

A 17.2 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 A 2.

Community Emergency Services Fund
Notes to and forming part of the administered statements
For the year ended 30 June 2017

0A 17.2 Categorisation of financial instruments (continued)

Refer note 17.3 for the carrying amounts of each of the following categories of financial assets and liabilities: receivables and payables held at cost.

CESF 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 carry 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 A 2, A 10 and A 11).

A 17.3 Liquidity risk

CESF is funded principally from Emergency Services Levy contributions, government concessions and remissions, and interest. The payments from CESF are approved by the Economic and Finance Committee, pursuant to the Act, and endorsed by the Minister for Emergency Services. CESF is an Administered item and cash flows associated with its approved payments and budgeted receipts, as set by the Department of Treasury and Finance, are done to ensure funding is provided through the SA Government budgetary processes to meet the expected cash flows.

Table 17.3 Categorisation and maturity analysis of financial assets and liabilities

Category of financial asset and financial liability	Notes	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 cash equivalents	A 9	22 335	22 335	-	-	-
Receivables ⁽¹⁾⁽²⁾	A 10	1 468	1 468	-	-	-
Total financial assets		23 803	23 803	-	-	-
Financial liabilities						
Payables ⁽¹⁾	A 11	834	834	-	-	-
Total financial liabilities		834	834	-	-	-
Category of financial asset and financial liability	Notes	2016 Carrying amount/fair value \$'000	2016 Contractual maturities			
			Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets						
Cash and cash equivalents	A 9	34 518	34 518	-	-	-
Receivables ⁽¹⁾⁽²⁾	A 10	1 625	1 625	-	-	-
Total financial assets		36 143	36 143	-	-	-
Financial liabilities						
Payables ⁽¹⁾	A 11	4 011	4 011	-	-	-
Total financial liabilities		4 011	4 011	-	-	-

⁽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).

⁽²⁾ Receivables amount disclosed here excludes prepayments. Prepayments are presented in A 10 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Community Emergency Services Fund
Notes to and forming part of the administered statements
For the year ended 30 June 2017

A 17.4 Credit risk

CESF has minimal concentration of credit risk. CESF has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. CESF 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 CESF.

A 17.5 Market Risk

CESF has non-interest bearing assets (receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). CESF's exposure to market risk and cash flow interest risk is minimal. There is minimal exposure to foreign currency or other price risks.

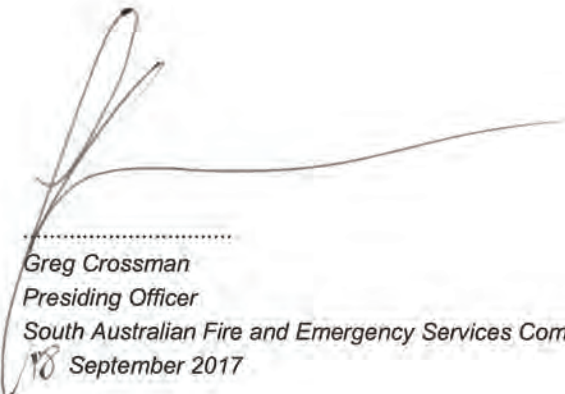
CESF does not trade in foreign currency, enter into transactions for speculative purposes, nor for hedging. CESF does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the Government's risk management strategy articulated in TI 23 *Management of Foreign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

South Australian Fire and Emergency Services Commission
Statement of Comprehensive Income
for the year ended 30 June 2017

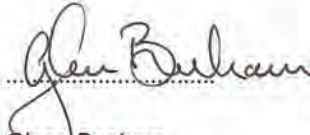
We certify that the attached general purpose financial statements for the South Australian Fire and Emergency Services Commission:

- 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 South Australian Fire and Emergency Services Commission; and
- present a true and fair view of the financial position of the South Australian Fire and Emergency Services Commission 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 South Australian Fire and Emergency Services 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.



.....
Greg Crossman
Presiding Officer
South Australian Fire and Emergency Services Commission Board
18 September 2017



.....
Glenn Benham
A/Chief Executive
South Australian Fire and Emergency Services Commission
18 September 2017



.....
Joel Schirmer
Manager Financial Services
South Australian Fire and Emergency Services Commission
18 September 2017



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**To the Presiding Officer
South Australian Fire and Emergency Services Commission Board**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 21(2) of the *Fire and Emergency Services Act 2005*, I have audited the financial report of the South Australian Fire and Emergency Services Commission and the consolidated entity comprising the South Australian Fire and Emergency Services Commission and the emergency services sector 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 South Australian Fire and Emergency Services 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 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 Presiding Officer, the acting Chief Executive and the Manager 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 South Australian Fire and Emergency Services Commission and the emergency services sector. 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 and 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 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.

The South Australian Fire and Emergency Services Commission Board 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.

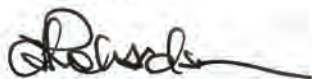
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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 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 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

21 September 2017

South Australian Forestry Corporation

Financial report
for the year ended
30 June 2017

SOUTH AUSTRALIAN FORESTRY CORPORATION
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$'000	2016 \$'000
Income			
Sales - timber products		14,180	18,742
Wood sales - back to back		-	30,447
Sales - management services		121	3,276
Revenues from SA Government	4(i)	10,138	6,549
Interest	4(ii)	233	563
Other income	4(iii)	1,161	1,588
Net gain from the disposal of non-current assets	4(iv)	-	282
Total income		25,833	61,447
Expenses			
Employee benefits	6	4,496	5,300
Contractors		11,134	12,607
Wood purchases - back to back		-	30,447
Depreciation and amortisation	12, 14	1,506	1,629
Materials		559	742
Equipment and vehicle costs		772	1,283
Council rates		293	283
Impairment of assets		90	563
Other expenditure	4(v)	6,983	8,556
Net loss from the disposal of non-current assets	4(iv)	436	-
Total expenses		26,269	61,410
Trading profit/(loss) before revaluation of standing timber		(436)	37
Net change in value of standing timber	11	5,962	(1,969)
Profit/(loss) before income tax equivalent		5,526	(1,932)
Income tax equivalent expense	5	-	-
Profit/(loss) after income tax equivalent	7(ii)	5,526	(1,932)
Other comprehensive income			
Impairment of property, plant and equipment prior to restructure	12	-	(724)
Property, plant and equipment recorded in asset revaluation surplus	12	-	(354)
Total other comprehensive income		-	(1,078)
Total comprehensive result		5,526	(3,010)

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

SOUTH AUSTRALIAN FORESTRY CORPORATION
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	7	13,685	19,759
Receivables	8	10,171	6,513
Inventories	9	319	591
Standing timber	11	5,111	4,208
Assets classified as held for sale	10	55	276
Total current assets		29,341	31,347
Non-current assets			
Standing timber	11	46,839	41,780
Property, plant and equipment	12	53,022	53,917
Intangible assets	14	567	1,155
Total non-current assets		100,428	96,852
Total assets		129,769	128,199
Current liabilities			
Payables	15	2,441	2,390
Employee benefits	16	539	571
Deferred income	17	269	349
Other provisions	18	232	265
Total current liabilities		3,481	3,575
Non-current liabilities			
Payables	15	97	109
Employee benefits	16	628	704
Deferred income	17	770	811
Other provisions	18	413	576
Total non-current liabilities		1,908	2,200
Total liabilities		5,389	5,775
Net assets		124,380	122,424
Equity			
Other reserves	19	86,045	80,177
Retained earnings	19	38,335	42,247
Total equity		124,380	122,424
Commitments and contingencies			
Unrecognised contractual commitments	21		
Contingent liabilities and assets	21		

SOUTH AUSTRALIAN FORESTRY CORPORATION
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			
Receipts from customers		19,424	57,537
Payments to suppliers and employees		(25,992)	(65,153)
Interest received		233	563
Receipts from SA Government		3,872	4,353
GST refunded/(remitted) to/from Australian Taxation Office		287	(133)
Net cash flows from operating activities	7 (ii)	(2,176)	(2,833)
Cash flows from investing activities			
Purchase of property, plant & equipment		(421)	(284)
Purchase of intangible assets		(143)	(313)
Proceeds from sale of assets		236	4,813
Net cash flows from investing activities		(328)	4,216
Cash flows from financing activities			
Dividend paid		(3,570)	-
Net cash flows from financing activities		(3,570)	-
Net increase/(decrease) in cash held		(6,074)	1,383
Cash and cash equivalents at the beginning of the period		19,759	18,376
Cash and cash equivalents at the end of the period	7 (i)	13,685	19,759

SOUTH AUSTRALIAN FORESTRY CORPORATION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Asset revaluation surplus \$'000	Standing timber reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2015	40,320	42,980	42,134	125,434
Impairment of property, plant and equipment prior to restructure	(724)	-	-	(724)
Gain/(loss) on revaluation	(354)	-	-	(354)
Net income/expense recognised directly in equity	(1,078)	-	-	(1,078)
Profit/(loss) for the period	-	-	(1,932)	(1,932)
Total comprehensive result for 2015-16	(1,078)	-	(1,932)	(3,010)
Transfers to/(from) equity	(76)	(1,969)	2,045	-
Total change for the period	(1,154)	(1,969)	113	(3,010)
Balance at 30 June 2016	39,166	41,011	42,247	122,424
Impairment of property, plant and equipment prior to restructure	-	-	-	-
Gain/(loss) on revaluation	-	-	-	-
Net income/expense recognised directly in equity	-	-	-	-
Profit/(loss) for the period	-	-	5,526	5,526
Total comprehensive result for 2016-17	-	-	5,526	5,526
Transfers to/(from) equity	(94)	5,962	(5,868)	-
Transactions with Government as owner				
Dividends paid/payable	-	-	(3,570)	(3,570)
Total change for the period	(94)	5,962	(3,912)	1,956
Balance at 30 June 2017	39,072	46,973	38,335	124,380

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

NOTES TO THE FINANCIAL STATEMENTS

South Australian Forestry Corporation for the year ended 30 June 2017

1 CORPORATE INFORMATION

Role and function of the South Australian Forestry Corporation

The South Australian Forestry Corporation (ForestrySA) was established under the *South Australian Forestry Corporation Act 2000* on 1 January 2001. ForestrySA is subject to the provisions of the *Public Corporations Act 1993*.

Key responsibilities of ForestrySA are to:

- Manage plantation forests for commercial production in line with best practice standards for forestry operations and environmental management;
- Provide high quality management services to its customers;
- Undertake and where appropriate commercialise forestry related research for the benefit of ForestrySA and the State;
- Maximise the value of ForestrySA;
- Encourage and facilitate regionally based economic activities based on forestry and other industries;
- Support regional forest resource protection initiatives and programs;
- Support the concept of environmental sustainability which assists in the protection of natural assets and market accessibility; and
- Support research activities within the forestry industry.

In addition to subsidies of its business operations, ForestrySA receives funding from the South Australian (SA) Government for the provision of certain community service obligations (CSOs). These are:

- Community protection (including fire protection)
- Community use of forests; and
- Native forest management.

Green Triangle agency arrangement

Up to 30 September 2015 ForestrySA managed the forest plantations for OneFortyOne Plantations Pty Ltd (OFO). OFO engaged the SA Treasurer to manage the plantations under a Plantation Management Agreement (PMA) in return for a management fee. Under a Memorandum of Administrative Arrangements, ForestrySA was required to perform the obligations of the Treasurer in accordance with the PMA.

- Under the PMA, ForestrySA managed silviculture operations for OFO in return for a fee comprising two components:
 - I. Direct charges. While some silviculture expenses were paid directly by OFO, other expenses were incurred and paid by ForestrySA on behalf of OFO. These are recognised as expenses of ForestrySA in the Statement of Comprehensive Income.
 - II. General Overhead Charges (GOC) were paid by OFO to ForestrySA.

Recoveries of expenses and GOC from OFO under the PMA are disclosed in the Statement of Comprehensive Income as sales - management services.

- The operations deed between the Treasurer and OFO requires the performance, among other things, of specified fire management functions. ForestrySA provided these functions to OFO under the PMA.
- ForestrySA has required funding from the SA Government in order to continue its Community Service Obligations activities (particularly fire response) and the performance of its obligations under the PMA as negotiated by the Treasurer as part of the forward sale. The arrangement for the provision of this funding resulted in a trading loss of \$436,000 in 2016-17 (2015-16: trading profit \$37,000) before the revaluation of standing timber.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

South Australian Forestry Corporation for the year ended 30 June 2017

ForestrySA arrangements with OneFortyOne Plantations Pty Ltd (OFO) from 1 October 2015

On 22 July 2015 changes to ForestrySA's agency arrangement were announced and a Restructure Deed was entered into by ForestrySA and OFO. From 1 October 2015 OFO took over plantation management from ForestrySA.

ForestrySA's operations in the Mid North and Mount Lofty Ranges were not affected by this change. There was also no impact on fire management. OFO has provided the same level of fire protection and management within its forest estates, and ForestrySA has continued to provide fire protection and management outside the estates.

The SA Government retains ownership of the forest land, water, and carbon rights, and ForestrySA maintains a staff presence in the South East.

During 2015-16 a number of employees were transferred to OFO following employment offers made to ForestrySA employees in the South East who were predominantly involved in providing plantation management. A number of assets owned by ForestrySA and ForestrySA's IT system license were purchased by OFO during 2015-16. Assets were purchased by OFO at their written down book value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

ForestrySA 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, prepared in accordance with applicable Australian Accounting Standards and Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

ForestrySA has applied Australian Accounting Standards that are applicable to for-profit entities, as ForestrySA is a for-profit entity.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and management to exercise its judgement in the process of applying ForestrySA's accounting policies. The areas involving a higher degree of judgement, or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes.
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency, the Accounting Policy Statements require the following note disclosures that have been included in these financial statements:
 - 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. Refer to Note 23.
 - ii. expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income);
 - iii. employee targeted voluntary separation package information; and
 - iv. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

South Australian Forestry Corporation for the year ended 30 June 2017

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

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

(c) Reporting entity

The financial report covers ForestrySA as an individual reporting entity. It is a statutory authority of the State of South Australia, established pursuant to the *South Australian Forestry Corporation Act 2000*.

ForestrySA does not control any investees, has no joint arrangements and no interests in unconsolidated structured entities.

(d) Comparative information

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

Where Forestry SA has applied an accounting policy retrospectively; retrospectively restated items in the financial statements; reclassified items in the financial statements, financial statements have been amended and comparative amounts have been reclassified unless reclassification is impracticable.

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

(e) Rounding

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

(f) Taxation

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

ForestrySA is liable for payroll tax, fringe benefits tax and goods and services taxes (GST), emergency services levy, land tax and local government rates.

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

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

The net GST receivable or payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

South Australian Forestry Corporation for the year ended 30 June 2017

(g) Events after the reporting period

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

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

(h) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. ForestrySA has a regular operating cycle of 12 months. Standing timber that is expected to be harvested within 12 months after the reporting date has been classified as a current asset, while standing timber expected to be harvested more than 12 months after the reporting date, has been classified as a non-current asset. Other assets and liabilities that are sold, consumed or realised as part of the normal operating cycle - even when they are not expected to be realised within 12 months after the reporting date or are held primarily for the purpose of being traded - have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

(i) Non Current Assets

Acquisition and recognition

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

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

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

All non-current tangible assets with a value 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 equal to or in excess of \$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 or amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets, while depreciation is applied to physical assets such as property, plant and equipment.

The useful lives of all major assets held by ForestrySA are reassessed 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, included in plant and equipment, is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

South Australian Forestry Corporation for the year ended 30 June 2017

Land and assets held for sale are not depreciated.

The depreciation / amortisation for non-current assets is determined as follows:

Class of asset	Depreciation method	Useful life (years)
Buildings and structures	Straight line	25-60
Leasehold improvements	Straight line	life of lease
Roads and land improvements	Straight line	20-25
Plant and equipment	Straight line	3-25
Intangibles	Straight line	1-3

Revaluation of non-current assets

Land was revalued as at 30 June 2015, while buildings and structures were revalued as at 30 June 2016, in accordance with APF III *Asset Accounting Framework*. Assets in other asset classes are deemed to have been revalued to their fair values immediately following recognition at cost.

The basis of the revaluation of land performed by the Valuer General is the market approach under AASB 13 *Fair Value Measurement*.

In its assessment it uses the asset's highest and best use that is physically possible, legally permissible, financially feasible, taking into account restrictions imposed on the use of the land by the various legislation under which ForestrySA operates. ForestrySA land generally has restrictions on use imposed by the Forestry Act 1950, by statute or regulation, impacting the fair value measurement of the asset. In South Australia the Valuer General determines the site and capital values on an annual basis as at 1 January each year. These statutory values are derived from available market evidence around the date of valuation, and are considered to provide a suitable basis from which to derive selected values under fair value measurement. Adjustments are then applied to reflect the restrictions on potential highest and best use imposed by legislation associated with the operations of ForestrySA.

In accordance with this policy, land was revalued using valuations provided by the Valuer General in 2015. In 2017 the Board has made the assessment that they believe land remains to be recorded at fair value and no adjustment to the value of land was required.

In accordance with APF III APS 3.18, ForestrySA has elected to take revaluation adjustments to the asset revaluation surplus on an individual asset basis for all assets excluding land.

At least every five years, an independent valuation appraisal of ForestrySA's buildings and structures will be performed. However, if at any time management considers that the carrying amount of an asset class materially differs from its fair value, then the asset class will be revalued regardless of when the last valuation took place. ForestrySA undertook an independent valuation appraisal of its buildings and structures in June 2016.

Non-current physical assets that are acquired between revaluations and are below the revaluation threshold (fair value at the time of acquisition greater than \$1 million and useful life greater than three years), as per APF III, will be deemed to have been revalued to their fair values immediately following recognition at cost, until revaluation will take place, when they are revalued to fair value.

ForestrySA has taken the exemption available under Accounting Policy Framework III Asset Accounting Framework paragraph APS 3.18 to take asset revaluation adjustment to the asset revaluation surplus on a class basis rather than an individual asset basis

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

South Australian Forestry Corporation for the year ended 30 June 2017

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

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

The valuation processes and fair value changes are reviewed by the Chief Finance Officer and Audit Committee at each reporting date.

In determining fair value, ForestrySA 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 financially feasible)

ForestrySA'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 ForestrySA 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 note 13 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

ForestrySA engaged Indufor Asia Pacific Ltd to establish the valuation for its plantation estate in the Mt Lofty Ranges as at 30 June 2017. Indufor is a New Zealand based company providing forest and forest industry valuation services internationally. ForestrySA determined the value of its other plantation estates internally.

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

Impairment

ForestrySA 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.

ForestrySA 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.

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 ForestrySA only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

South Australian Forestry Corporation for the year ended 30 June 2017

Biological Assets

Biological Assets (Standing timber) are valued under the Net Present Value (NPV) income approach. This policy is in accordance with the requirements of AASB 141 *Agriculture* and all amounts are calculated in pre-tax dollars. The income or NPV approach is considered appropriate for the valuation of standing timber and is consistent with industry best practice for standing timber valuation. ForestrySA has assessed the highest and best use for the standing timber as the current use which is the sale of saw log and the associated lower value products that are produced as a by-product to this process.

The methodology was approved by the Acting Treasurer in 2013-14 consistent with APF III *Asset Accounting Framework* APS 3.9.

Under the NPV methodology, valuation changes mainly arise from:

- Changes in timber volume associated with growth and also changes to the overall estate as a result of annual planting and harvesting activity;
- Changes in timber prices;
- Changes in silvicultural costs; and
- Changes in the discount rate used in the discounted cash flow calculation.

Assumptions underpinning the NPV calculation are:

- Forest valuations are based on the expected volumes of merchantable timber that will be realised from existing stands, given current management strategies and timber recovery rates;
- Only the current crop is valued. The cash flow analysis is based on the anticipated timing of the harvest of existing stands, which has been developed in the context of sustained yield management;
- Volume increments/decrements are determined both by periodic re-measurement of forest samples and by modelling growth from the date of the most recent measurement to date of harvest;
- Prices used in the NPV calculation are reflective of estimated future prices, based on current understanding of the market forces impacting historical prices.

The NPV approach takes the real cashflows from the sale of standing timber over a single rotation, 35 years. The existing market price for the sales of timber is assumed less reasonable costs to sell the standing timber into the market. ForestrySA has allowed an appropriate amount for the overheads (including fire protection) which has also been included in the cash flows of the valuation.

The replanting expenses have not been included under the guidance of the accounting standards and the value of land is considered separately. The NPV approach used to value the standing timber does not include a terminal value.

The discount rate used is 8.5% (2016: 8.5%) (pre-tax real) which incorporates ForestrySA's assessment of the risk free rate and the risk weighting of forestry. The use of a 'real' discount rate effectively allows for all prices and costs to be expressed in current dollar terms.

The difference between the fair value of the standing timber held at the reporting date and the fair value at the previous reporting date, after allowing for standing timber acquired and purchased standing timber harvested, is recognised in the Statement of Comprehensive Income as the net change in value of standing timber. All forest expenditure is recognised as an expense in the year it is incurred. The change in valuation is disclosed in Note 11.

The net change in the value of standing timber is accounted for in the standing timber reserve.

The volume of standing timber is estimated using a model that simulates forest growth. Actual growth will invariably differ from growth predicted by the model resulting in periodic adjustments for these growth variations. The model uses sample inventory data as the base line from which to start growth simulations. Inventory data is continuously being collected from sample inventory plots with the complete forest estate being covered in five yearly intervals. The inventory master database is updated every three to five years and on these occasions the model simulations are repeated. For the Mount Lofty Ranges and Mid North forests, the master database was last updated as at January 2015.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

South Australian Forestry Corporation for the year ended 30 June 2017

There is inherent uncertainty in the standing volume estimate and resultant standing timber valuation. This is endemic to all forest valuations and best practice methodology is used to generate reliable estimates.

(j) Liabilities

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 (SERL) and sick leave

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

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

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

Long service leave

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

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

The unconditional portion of the long service leave provision is classified as current as ForestrySA does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

Leases

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

ForestrySA has entered into operating leases but has not entered into any finance 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.

(k) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

South Australian Forestry Corporation for the year ended 30 June 2017

(I) Insurance

ForestrySA has arranged, through the SA Government Captive Insurance Corporation (SAICORP), to insure all its major insurable property and liability risks. The excess payable under this arrangement is \$250,000 from an event or occurrence covered by the agreement.

ForestrySA is self-insured for major fire losses of the forest. In addition, ForestrySA is self-insured for workers compensation.

3 NEW AND REVISED ACCOUNTING STANDARDS AND POLICIES

On 1 July 2016 Forestry SA changed its accounting policy in relation to its asset capitalisation threshold, increasing it from \$3,000 to \$10,000. This change in policy was required for compliance with its asset management policy.

The change in accounting policy has been applied retrospectively and comparative information in relation to the 2015-16 financial year has been restated accordingly. Comparison of the original reported figures to the revised reported figures has been disclosed in Note 26.

As at the date of the 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:

Reference	Title and date of standard application	Summary	Impact on financial statements	Application date for FSA
AASB 16	Leases 1 Jan 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. The right-of-use asset will be initially recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the effective date, less any leave incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right of use assets will give rise to depreciation expense.	As at 30 June, ForestrySA has non-cancellable operating lease commitments of \$570,000. Refer Note 21. These are currently recorded as commitments and are not captured in the Statement of Financial Position. The change in standard will require ForestrySA to record almost all operating lease arrangements in all financial statements. ForestrySA has not yet quantified the impact of on the Statement of Comprehensive Income or Statement of Financial Position of applying AASB 16 to its current operating leases.	1 July 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

South Australian Forestry Corporation for the year ended 30 June 2017

		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 expenses 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. Further 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. AASB 16 allows a 'cumulative approach' rather than full retrospective application to recognised existing operating leases. If a lessee chooses to apply the 'cumulative approach', it does not need to restate comparative information. Instead, the cumulate effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus at the date of initial application.		
AASB 15	Revenue from Contracts with Customers 1 Jan 19	AASB 15 will replace AASB 118 and AASB 111. AASB 15 introduces a five step process for revenue recognition with the core principle being to recognise revenue 'when control of a good or services transfers to a customer'. This is effectively when performance obligations have been met, rather than the former model of 'where the risks and rewards of ownership reside'.	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue from sales of ForestrySA's goods and services. Some revenue may need to be deferred to a later reporting period to the extent that ForestrySA has received cash but have not yet met the associated performance obligations.	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

South Australian Forestry Corporation for the year ended 30 June 2017

		AASB 15 will result in increased disclosures about revenue. AASB allows a 'cumulative approach' rather than a 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 the accumulated surplus at the date of initial application.	ForestrySA is currently considering its contractual arrangements with a focus on the definition of a contract and the definition of a customer and service contract arrangements that may result in the identification of separate performance obligations which could affect the timing of revenue recognition. ForestrySA has commenced its analysis however at this stage, is not able to estimate the dollar impact on the financial statements. ForestrySA's financial report will include additional disclosures (qualitative and quantitative)	
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NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

4 REVENUE, OTHER INCOME AND EXPENSES

(i) Revenues from SA Government

	Note	2017 \$ '000	2016 \$ '000
Community Service Obligation funding (1)		3,559	3,719
Other revenues from SA Government (2)		6,149	2,392
Government Radio Network funding		399	389
Deferred revenues from SA Government (1)		31	49
Revenues from SA Government		10,138	6,549

(1) CSO funding received for capital expenditure is recognised in revenue over the life of the asset.

(2) Other revenues from SA government includes funding from the SA Government in order to continue its Community Service Obligations activities (particularly fire response) and the performance of its obligations under the PMA as negotiated by the Treasurer

(ii) Interest received or receivable

Interest received	233	563
Interest revenue	233	563

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(iii) Other income

Other revenue from non SA Government entities	1,161	1,588
Other income	1,161	1,588

(iv) Net gain/(loss) from disposal of assets

Land and buildings			
Net proceeds from disposal		-	52
Less expenses on disposal		(16)	-
Less net book value of assets disposed	12	(1)	(51)
Net (loss) from disposal of land and buildings		(17)	1
Plant and equipment			
Net proceeds from disposal		253	4,782
Less expenses on disposal		(1)	(21)
Less net book value of assets disposed	12	(671)	(4,472)
Net gain from disposal of plant and equipment		(419)	289
Roads and land improvements			
Net proceeds from disposal	12	-	-
Less net book value of assets disposed		-	(8)
Net gain/(loss) from disposal of assets held for sale		-	(8)
Total assets			
Net proceeds from disposal		253	4,834
Less expenses on disposal		(17)	(21)
Less net book value of assets disposed		(672)	(4,531)
Net gain/(loss) from disposal of total assets		(436)	282

Gains/Losses on disposal 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. Where revalued assets are sold, the revaluation surplus is transferred to retained earnings

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

4	REVENUE, OTHER INCOME AND EXPENSES CONT.	Note	2017 \$ '000	2016 \$ '000
	(v) Other expenditure			
	Doubtful debt provision / write down	8	(1)	(204)
	Export - shipping		1,738	3,201
	Export - marketing & other		1,877	2,780
	Consultants (1)		170	-
	Other(2)		3,199	2,779
			6,983	8,556

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

	No.	2017 \$ '000
Below \$10 000	2	8
Above \$10 000	6	162
Total paid /payable to the consultants engaged	8	170

Payments made to consultants in 2016 was \$0.

(2) Includes audit fees paid/payable to the Auditor-General's Department relating to work performed under the Public Finance and Audit Act of \$70,000 (2016:\$68,000). No other services were provided by the Auditor-General's Department.

5 INCOME TAX EQUIVALENT

ForestrySA uses the Accounting Profits Model to calculate the income tax equivalent payment, in accordance with Treasurer's Instruction 22 Tax Equivalent Payments. Under the Accounting Profits Model, the rate of company income tax is applied to the audited accounting profit. The accounting profit is the net result from operations determined in accordance with AASB 101 Presentation of Financial Statements.

Income tax equivalent

Accounting for income tax for the financial year is based on the tax equivalent calculations under the Accounting Profits Model prescribed in the State Tax Equivalent Regime (STER) and the applicable accounting standards (see note 2, not including AASB 112 Income Taxes). As ForestrySA does not report a trading profit the STER does not apply and no deferred tax asset is generated.

The Treasurer has provided ForestrySA with written approval to exclude gains and losses relating to standing timber revaluations from the accounting profit before ForestrySA calculates its income tax equivalent payment.

The income tax equivalent expense was nil for the reporting period (2016: nil).

6 EMPLOYEE BENEFITS EXPENSES

	2017 \$ '000	2016 \$ '000
Salaries and wages	3,383	4,245
Long service leave	38	(195)
Retention leave	3	93
Annual leave	276	320
Employment on-costs* - superannuation	614	587
Employment on-costs - other	182	250
	4,496	5,300

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

Compensation of employees whose income was over the base executive remuneration level

The number of employees whose income, excluding TVSP, was within the following bands:

	2017 Number	2016 Number
\$145,000 - \$147,000	-	1
\$147,001 - \$157,000	1	-
\$157,001 - \$167,000	-	-
\$167,001 - \$177,000	1	-
\$177,001 - \$187,000	-	1
\$197,001 - \$207,000	-	1
\$217,001 - \$227,000	1	-
\$297,001 - \$307,000	-	1
\$307,001 - \$317,000	1	-
Total number of employees	4	4

The table includes all employees who received or are entitled to receive 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 \$850,000 (2016: \$800,000).

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

7 CASH AND CASH EQUIVALENTS

	2017	2016
	\$ '000	\$ '000
Cash	1	1
Deposits	2,579	8,866
Cash Management Fund	11,105	10,892
	<u>13,685</u>	<u>19,759</u>

Cash is measured at nominal amounts.

Deposits and Cash Management Fund

Deposits include funds held with the Commonwealth Bank of Australia (CBA). The balance of these funds is not available for general use, i.e. funds can only be used in accordance with the Treasurer's/Under Treasurer's approval. Cash Management Fund (CMF) deposits are lodged with SAFA and earn interest at the respective CMF rate.

Interest Rate Risk

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

CASH FLOWS RECONCILIATION

(i) Reconciliation of cash and cash equivalents at the end of the reporting period

	2017	2016
	\$ '000	\$ '000
Cash and cash equivalents as per statement of financial position	13,685	19,759
Cash and cash equivalents as per statement of cash flows	13,685	19,759

(ii) Reconciliation of profit after income tax equivalent payments to net cash flow from operating activities

Profit after income tax equivalents	<u>5,526</u>	<u>(1,932)</u>
Non cash items		
Net change in value of standing timber - other	(5,962)	1,969
Impairment of assets	90	563
Depreciation and amortisation	1,506	1,629
Loss/(Gain) on disposal of assets	436	(282)
	<u>(3,930)</u>	<u>3,879</u>
Changes in operating assets and liabilities		
Decrease/(Increase) in receivables	(3,658)	1,101
Decrease/(Increase) in inventories	272	168
(Decrease)/Increase in payables	39	(4,234)
(Decrease)/Increase in provisions	(196)	(237)
(Decrease)/Increase in employee benefits	(108)	(1,738)
(Decrease)/Increase in deferred income	(121)	160
Net cash flows from changes in operating balances	<u>(3,772)</u>	<u>(4,780)</u>
Net cash flows from operating activities	<u>(2,176)</u>	<u>(2,833)</u>

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

8 RECEIVABLES

	2017	2016
	\$ '000	\$ '000
CURRENT		
Trade receivables	8,344	6,157
Less doubtful debts	(30)	(31)
Other receivables	966	-
Accrued revenue	24	32
Prepayments	667	355
GST receivable	200	-
	<u>10,171</u>	<u>6,513</u>

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.

Movement in the allowance for doubtful debts (impairment loss)

	2017	2016
	\$ '000	\$ '000
Carrying amount at the beginning of the period	31	247
Increase in allowance recognised in profit or loss	-	-
Amounts written off	-	-
Amounts recovered during the year	(1)	(216)
Carrying amount at the end of the period	<u>30</u>	<u>31</u>

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, 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 authority 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.

9 INVENTORIES

	2017	2016
	\$ '000	\$ '000
CURRENT		
Export log	257	526
Materials and stores	62	65
	<u>319</u>	<u>591</u>

Inventories include goods and other property held for sale in the ordinary course of business. It excludes depreciating assets. Inventories held for sale are measured at the lower of cost or their net realisable value.

Cost for all other inventory is measured on the basis of the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

10 ASSETS CLASSIFIED AS HELD FOR SALE

	2017	2016
	\$ '000	\$ '000
Non-current assets classified as held for sale		
Land and buildings, property, plant and equipment	55	276
	<u>55</u>	<u>276</u>

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

11 STANDING TIMBER

	2017	2016
	\$ '000	\$ '000
Opening balance	45,988	47,957
Other Revaluation / Impairment	5,962	(1,969)
Net change recorded in statement of comprehensive income	<u>5,962</u>	<u>(1,969)</u>
Closing balance	51,950	45,988
Unrealised (loss)/gain for the period included in the Statement of Comprehensive Income	5,962	(1,969)

ForestrySA has adopted the Discounted Cash Flow (DCF) method to value the current standing timber. In 2017 ForestrySA engaged Indufor Asia Pacific to provide the DCF valuation for its plantations. ForestrySA is recognising the single rotation forest valuation, being \$51,950,000 (2016: \$45,988,000). The DCF for multiple rotations is valued at \$37,907,000 (2016: \$30,971,000) per Indufor.

The standing timber comprises the following:

	2017	2016
	\$ '000	\$ '000
Fair Value		
Standing timber as held to maturity	51,950	45,988
Total fair value	<u>51,950</u>	<u>45,988</u>
CURRENT ASSET	<u>2017</u>	<u>2016</u>
	\$ '000	\$ '000
Current portion of standing timber valuation	5,111	4,208
NON-CURRENT ASSET	<u>2017</u>	<u>2016</u>
	\$ '000	\$ '000
Non-current portion of standing timber valuation	46,839	41,780

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

12 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and structures	Roads and land improvements	Plant and equipment	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Year ended 30 June 2016					
As at 1 July 2015, net of accumulated depreciation and impairment	39,140	10,164	2,242	9,530	61,076
Additions / transfers	-	-	229	55	284
Disposals	-	(51)	(8)	(4,472)	(4,531)
Assets reclassified to or out of assets held for sale	-	-	-	(276)	(276)
Revaluation decrements	-	(354)	-	-	(354)
Impairment	-	(1,144)	(127)	(16)	(1,287)
Depreciation charge for the year	-	(421)	(141)	(433)	(995)
Net of accumulated depreciation and impairment	39,140	8,194	2,195	4,388	53,917
At 30 June 2016					
Cost or fair value	39,140	8,714	4,103	8,943	60,900
Accumulated depreciation and impairment	-	(520)	(1,908)	(4,555)	(6,983)
Net carrying amount	39,140	8,194	2,195	4,388	53,917
Year ended 30 June 2017					
As at 1 July 2016, net of accumulated depreciation and impairment	39,140	8,194	2,195	4,388	53,917
Additions / transfers	-	80	341	-	421
Disposals	-	(1)	-	(671)	(672)
Assets reclassified to or out of assets held for sale	-	-	-	221	221
Revaluation decrements	-	-	-	(77)	(77)
Impairment	-	-	-	(13)	(13)
Depreciation charge for the year	-	(342)	(137)	(296)	(775)
Net of accumulated depreciation and impairment	39,140	7,931	2,399	3,552	53,022
At 30 June 2017					
Cost or fair value	39,140	8,773	4,444	7,715	60,072
Accumulated depreciation and impairment	-	(842)	(2,045)	(4,163)	(7,050)
Net carrying amount	39,140	7,931	2,399	3,552	53,022

Revaluation of land and buildings and structures

ForestrySA uses the services of the Valuer General in SA to determine the fair value of its land. Fair value is determined by reference to market-based evidence, which is the amount for which the asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Land was revalued using valuations provided by the Valuer General in 2015. In 2017 the Board has made the assessment that they believe land remains to be recorded at fair value and no adjustment to the value of land was required.

In 2016 ForestrySA engaged Herron Todd White, an accredited independent valuer, to determine the fair value of its buildings and structures. The effective date of the revaluation of the buildings and structures was 30 June 2016. The valuer valued on the basis of the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, assuming the probable use of an asset which is physically possible, appropriately justified, legally permissible, financially feasible and which results in the highest value of the asset valued. The valuation was based on a combination of internal records, specialised knowledge and the acquisition/transfer costs.

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 have been no subsequent adjustments to their value, except for management assumptions about the condition and remaining useful life of each asset.

Plant and equipment includes \$46,000 of fully depreciated (to salvage value) property still in use (2016:\$72,000).

Impairment

In 2015-16 prior to the acquisition of some property, plant and equipment by OFO as part of the sale assets were tested for impairment. Plant and Equipment sold during 2016-17 was tested for impairment prior to sale. There were no additional indications of impairment of roads and land improvements and plant and equipment assets at 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

13 FAIR VALUE MEASUREMENT

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

Fair value recognised in the balance sheet are categorised into level 2 for land and level 3 for other assets at 30 June 2017. Land was valued by the Valuer General and was recategorised to a Level 2 valuation at 30 June 2015, based on a thorough analysis of the data applied for valuation.

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

Assets held for sale were revalued when the fair value less costs to sell was lower than the carrying amount.

Fair value measurements at 30 June 2017

Recurring fair value measurements	Note	2017 \$ '000	Level 2 \$ '000	Level 3 \$ '000
Standing timber	11	51,950	-	51,950
Land	12	39,140	39,140	-
Buildings and structures	12	7,931	-	7,931
Roads and land improvements	12	2,399	-	2,399
Plant and equipment	12	3,552	-	3,552
Total recurring fair value measurements		104,972	39,140	65,832

Non-recurring fair value measurements

Assets held for sale	10	55	-	55
Total non-recurring fair value measurements		55	-	55

Fair value measurements at 30 June 2016

Recurring fair value measurements	Note	2016 \$ '000	Level 2 \$ '000	Level 3 \$ '000
Standing timber	11	45,988	-	45,988
Land	12	39,140	39,140	-
Buildings and structures	12	8,194	-	8,194
Roads and land improvements	12	2,195	-	2,195
Plant and equipment	12	4,388	-	4,388
Total recurring fair value measurements		99,905	39,140	60,765

Non-recurring fair value measurements

Assets held for sale	10	276	-	276
Total non-recurring fair value measurements		276	-	276

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

13 FAIR VALUE MEASUREMENT (Continued)

Valuation techniques and inputs

Valuation techniques used to derive fair values are in Notes 11 and 12.

Although unobservable inputs were used in determining fair value, and are subjective, ForestrySA considers that the overall valuation would not be materially affected by changes to the existing assumptions.

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

Total valuation gains and losses

	2017 \$ '000	2016 \$ '000
Standing timber	5,962	(1,969)
Land	-	-
Property, plant & equipment	-	(354)
Total valuation gain / (loss) for the year	5,962	(2,323)

Quantitative information about fair value measurement using significant unobservable inputs (level 3)

Description	Valuation technique	Unobservable inputs
Standing Timber	Discounted Cash Flow	Discount rate (pre-tax real) - 8.5% (2016: 8.5%) Estimated timber prices derived from available market projections Estimated yield per hectare and site quality Area-based and volume-based indirect and overhead costs
Land (1)	Market approach	Valuer General's statutory valuation derived from available market evidence Discount factors for legal restrictions - Green triangle (GT) 40% (2016: 40%), Mount Lofty Ranges (MLR) 65% (2016: 65%), Mid North (MN) 55% (2016: 55%)
Buildings and structures	Market approach	External valuation report
Roads and Improvements	Cost approach	Useful life - 20-25 years
Plant and Equipment	Cost approach	Useful life - 3-25 years
Assets held for sale	Fair value less costs of disposal	Market assessment

(1) Fair value of land with restricted use was determined using an adjusted market price of surrounding unrestricted land.

Sensitivity analysis standing timber

ForestrySA has adopted the Discounted Cash Flow method related to the current standing timber. For the 2017 financial year ForestrySA has engaged Indufor Asia Pacific to provide this DCF valuation for its plantations in the Mount Lofty Ranges.

ForestrySA is recognising the single rotation forest valuation, being \$51,950,000 (2016: \$45,988,000). The DCF for multiple rotations is valued at \$37,907,000 (2016: \$30,971,000).

For ForestrySA's plantations in the Mid North of the state, their DCF valuation was determined internally.

The effects of modifying a range of input variables is demonstrated in this sensitivity analysis:

Factor level	90%	95%	100%	105%	110%
	AUD million				
Revenue	39.398	45.674	51.950	58.225	64.501
Production Costs	55.777	53.863	51.950	50.036	48.123
Transport Costs	54.274	53.112	51.950	50.787	49.625
Operational Expenditure	52.268	52.109	51.950	51.790	51.631
Capital Expenditure	51.950	51.950	51.950	51.950	51.950
Area Based SG&A Expenditure	52.836	52.393	51.950	51.507	51.064
	7.50%	8.00%	8.50%	9.00%	9.50%
Discount Rate	57.039	54.390	51.950	49.696	47.612

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

13 FAIR VALUE MEASUREMENT (Continued)

Reconciliation of fair value measurements

	Standing timber	Land	Buildings and structures	Roads and land improvements	Plant and equipment
Opening balance at 1 July 2016	45,988	39,140	8,194	2,195	4,388
Acquisitions	-	-	80	341	-
Disposals	-	-	(1)	-	(671)
Transfer out of level 3	-	-	-	-	-
Transfer into level 2	-	-	-	-	-
Assets reclassified to or out of assets held for sale	-	-	-	-	221
Depreciation	-	-	(342)	(137)	(296)
Impairment	-	-	-	-	(13)
Transfers within asset classes	-	-	-	-	-
	-	-	(263)	204	(759)
Total gains / (losses) for the period in other comprehensive income:					
Revaluation increment / (decrement)	5,962	-	-	-	(77)
	5,962	-	-	-	(77)
Closing balance at 30 June 2017	51,950	39,140	7,931	2,399	3,552

Reconciliation of fair value measurements

	Standing timber	Land	Buildings and structures	Roads and land improvements	Plant and equipment
Opening balance at 1 July 2015	47,957	39,140	10,164	2,242	9,530
Acquisitions	-	-	-	229	55
Disposals	-	-	(51)	(8)	(4,472)
Transfer out of level 3	-	-	-	-	-
Transfer into level 2	-	-	-	-	-
Assets reclassified to or out of assets held for sale	-	-	-	-	(276)
Depreciation	-	-	(421)	(141)	(433)
Impairment	-	-	(1,144)	(127)	(16)
Transfers within asset classes	-	-	-	-	-
	-	-	(1,616)	(47)	(5,142)
Total gains / (losses) for the period in other comprehensive income:					
Revaluation increment / (decrement)	(1,969)	-	(354)	-	-
	(1,969)	-	(354)	-	-
Closing balance at 30 June 2016	45,988	39,140	8,194	2,195	4,388

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

14 INTANGIBLE ASSETS

	2017	2016
	\$ '000	\$ '000
COMPUTER SOFTWARE		
As at 1 July, net of accumulated amortisation and impairment	1,155	1,476
Additions	143	313
Disposals	-	-
Amortisation charge for the year	(731)	(634)
Total computer software, net of accumulated amortisation and impairment	567	1,155
As at 30 June:	2017	2016
	\$ '000	\$ '000
Accumulated amortisation and impairment	(2,016)	(1,285)
Net Carrying Amount	567	1,155

The intangible assets consist of software for operational systems and water licences. ForestrySA has no contractual commitments for the acquisition of intangible assets. There were no indications of impairment of intangible assets at 30 June 2017.

15 PAYABLES

	2017	2016
	\$ '000	\$ '000
CURRENT		
Trade payables	2,269	1,587
Accrued expenses	103	725
Employee benefit on-costs*	69	78
	2,441	2,390
NON-CURRENT		
Employee benefit on-costs*	97	109
	97	109

*ForestrySA makes contributions to several SA Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at 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 not changed from the 2016 rate of 40%. The average factor for the calculation of employer superannuation on-costs has changed from the 2016 rate (10.2%) to 10.1%. These rates are used in the employment on-cost calculation.

Interest rate and credit risk

Payables are measured at nominal amounts. 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.

Categorisation of financial instruments and risk exposure information - please refer to Note 24.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

16 EMPLOYEE BENEFITS

	2017	2016
	\$ '000	\$ '000
CURRENT		
Accrued salaries and wages	92	67
Long service leave	166	184
Retention leave	23	34
Banking of time	10	17
Annual leave	248	269
	539	571
NON-CURRENT		
Long service leave	628	704
	628	704

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 from 2016 (2%) to 2017 (2.5%).

The increase in 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 \$32,000 and employee benefits expense of \$32,000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of factors and assumptions – a key assumption is the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% 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.

Transfer of employee benefits

As part of the plantation management sale, 54 ForestrySA staff accepted offers from OFO and from 1st of October 2015 became employees of OFO. The transferred employees' accrued entitlements to annual leave, leave loading, personal/carer's leave, retention leave and long service leave (less those entitlements already taken or paid) were assumed by and recognised in their employment with OFO.

17 DEFERRED INCOME

	2017	2016
	\$ '000	\$ '000
CURRENT		
Deferred income	269	349
	269	349
NON-CURRENT		
Deferred income	770	811
	770	811
Movement in deferred income		
Carrying amount at the beginning of the period	1,160	1,000
Received during the year	286	416
Recognised as income in the Statement of Comprehensive Income	(407)	(256)
Carrying amount at the end of the period	1,039	1,160

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

18 OTHER PROVISIONS

	2017	2016
	\$ '000	\$ '000
CURRENT		
Workers compensation	232	265
	<u>232</u>	<u>265</u>
NON-CURRENT		
Workers compensation	413	576
	<u>413</u>	<u>576</u>
Movement in provisions		
Opening balance	841	1,078
Payments	(343)	(365)
Increments/(decrements) in provision	147	128
Closing balance	<u>645</u>	<u>841</u>

Workers compensation

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.

ForestrySA is responsible for the payment of workers compensation claims.

19 EQUITY

	2017	2016
	\$ '000	\$ '000
Retaining Earnings	38,335	42,247
Standing Timber reserve	46,973	41,011
Asset revaluation reserve	39,072	39,166
Total Equity	<u>124,380</u>	<u>122,424</u>

Equity represents the residual interest in the net assets of ForestrySA. The South Australian Government holds the equity interest in ForestrySA on behalf of the community.

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

In 2016-17 ForestrySA declared a special dividend payable to the Government (Department of Treasury and Finance) for \$3.57 million as a result of cash inflows due to the internalisation of plantation management by OFO (Note 1). The special dividend was paid to the Department of Treasury and Finance on the 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

20 SEGMENT INFORMATION

For management purposes ForestrySA has traditionally been organised into three forest regions and the Community Service Obligations portfolio. The reportable segments are:

- Mount Lofty Ranges (MLR): includes the Mt Crawford, Kuitpo and the Second Valley Forests which operate as a single commercial operation.
- Green Triangle (GT): includes the Forest Management services provided to OneFortyOne Plantations Pty Ltd. This region had no commercial contracts in 2016/17 hence reported no income or expenditure. The GT accounting segment was discontinued following the changes at 1 October 2015.
- Mid North (MN): this region has two forests, located at Wirrabara and Bundaleer.
- Community Service Obligations (CSO): ForestrySA performs under its charter non-commercial operations for the South Australian Government.

Note on the MN forests: The replanting of some sections of the MN forests was considered non-commercial, and this activity required a Ministerial Direction to proceed. As a result, this expenditure was included as a CSO within the Funded segment.

The executive and board of ForestrySA monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with profit or loss in the financial statements.

Year ended 30 June 2017

	(\$'000)				
	GT	MLR	MN	FUNDED	Total
Income					
Sales - timber products	-	13,837	343	-	14,180
Wood purchases - back to back	-	-	-	-	-
Sales - Management Services	-	91	30	-	121
Comm Service Obligation	-	-	-	3,559	3,559
Revenues from SA Government	-	426	8	-	434
Interest	-	152	81	-	233
Other income	-	516	231	414	1,161
Net gain from the disposal of non-current assets	-	-	-	-	-
Total income before other revenues from SA Government	-	15,022	693	3,973	19,688
Expenses					
Employee benefits	-	(2,599)	(459)	(1,438)	(4,496)
Contractors	-	(9,063)	(209)	(1,862)	(11,134)
Wood purchases - back to back	-	-	-	-	-
Depreciation and amortisation	-	(977)	(272)	(257)	(1,506)
Materials	-	(415)	(1)	(143)	(559)
Equipment and vehicle costs	-	(395)	(23)	(354)	(772)
Council rates	-	(270)	(23)	-	(293)
Impairment of assets	-	(90)	-	-	(90)
Other expenditure	-	(5,685)	(529)	(769)	(6,983)
Net loss from the disposal of non-current assets	-	(1)	(4)	(431)	(436)
Total expenses	-	(19,495)	(1,520)	(5,254)	(26,269)
Segment Profit					
Trading profit (loss) before dividend payment, revaluation of standing timber and other revenues from SA Government	-	(4,473)	(827)	(1,281)	(6,581)
Other revenues from SA Government	-	4,472	823	850	6,145
Trading profit before revaluation of standing timber	-	(1)	(4)	(431)	(436)
Net change in value of standing timber	-	5,962	-	-	5,962
Impairment of property, plant and equipment prior to restructure	-	-	-	-	-
Property, plant and equipment recorded in asset revaluation surplus	-	-	-	-	-
Total comprehensive result	-	5,961	(4)	(431)	5,526

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

NOTES TO THE FINANCIAL STATEMENTS
SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

20 SEGMENT INFORMATION (Continued)

Year ended 30 June 2016	(\$'000)				
	GT	MLR	MN	FUNDED	Total
Income					
Sales - timber products	-	17,607	1,135	-	18,742
Wood purchases - back to back	30,447	-	-	-	30,447
Sales - Management Services	3,276	-	-	-	3,276
Comm Service Obligation	-	-	-	3,709	3,709
Revenues from SA Government	243	255	136	(170)	464
Interest	166	317	80	-	563
Other income	762	247	172	407	1,588
Net gain from the disposal of non-current assets	202	76	3	1	282
Total income before other revenues from SA Government	35,096	18,502	1,526	3,947	59,071
Expenses					
Employee benefits	(1,648)	(1,840)	(487)	(1,325)	(5,300)
Contractors	(349)	(8,973)	(636)	(2,649)	(12,607)
Wood purchases - back to back	(30,447)	-	-	-	(30,447)
Depreciation and amortisation	(689)	(459)	(138)	(343)	(1,629)
Materials	(8)	(509)	-	(225)	(742)
Equipment and vehicle costs	(259)	(394)	(62)	(568)	(1,283)
Council rates	(7)	(256)	(20)	-	(283)
Impairment of assets	(563)	-	-	-	(563)
Other expenditure	(1,100)	(6,974)	(391)	(91)	(8,556)
Net loss from the disposal of non-current assets	-	-	-	-	-
Total expenses	(35,070)	(19,405)	(1,734)	(5,201)	(61,410)
Segment Profit					
Trading profit before revaluation of standing timber and other revenues from SA Government	26	(903)	(208)	(1,254)	(2,339)
Other revenues from SA Government	(26)	903	208	1,291	2,376
Trading profit before revaluation of standing timber	-	-	-	37	37
Net change in value of standing timber	-	(1,969)	-	-	(1,969)
Impairment of property, plant and equipment prior to restructure	(724)	-	-	-	(724)
Property, plant and equipment recorded in asset revaluation surplus	(354)	-	-	-	(354)
Total comprehensive result	(1,078)	(1,969)	-	37	(3,010)

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

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

21 COMMITMENTS AND CONTINGENCIES

a) Commitments

	2017	2016
	\$ '000	\$ '000
i) Operating lease commitments		
Non cancellable operating leases contracted for but not capitalised in the accounts:		
Due not later than one year	206	222
Due later than one year but not later than five years	265	138
Due later than five years	99	-
Total operating lease commitments	570	360

These operating lease commitments are not recognised in the financial report as liabilities. The operating lease commitments are related to the light vehicle fleet.

	\$ '000	\$ '000
ii) Other commitments		
Due not later than one year	5,336	5,213
Due later than one year but not later than five years	8,318	12,660
Total other commitments	13,654	17,873

ForestrySA's contracting commitments include agreements for the harvesting and transport of log and associated logistics. The calculations, based on assumptions about variables that impact the future dollar outcome of the commitments to ForestrySA, are indicative amounts.

ForestrySA has also entered into supply agreements to sell timber that is harvested. The terms and conditions of these agreements vary.

b) Contingent Liabilities

Defined Benefit Plan

ForestrySA and the SA Superannuation Board entered into an arrangement at the time of incorporation of ForestrySA to allow officers and employees of ForestrySA, who were immediately before incorporation of ForestrySA contributors to the State Superannuation Scheme, to remain contributors under the Superannuation Act 1988.

In April 2017 ForestrySA was notified by the SA Superannuation Board of a \$2 million actuarially assessed funding deficit as at 30 June 2016 relating to defined benefit members employed by ForestrySA as at 1 July 2014. The funding deficit is expected to be funded over the next 11 to 13 years. In addition to regular contributions in relation to current superannuation benefits ForestrySA has expensed \$221,000 (2016: \$91,000) being the amount paid during the current financial year in relation to the benefit funding deficit. A liability has not been recognised for the remaining balance.

c) Contingent Assets

Various banks have issued bank guarantees for ForestrySA customers to ForestrySA, which form a security in case of default on payment.

22 KEY MANAGEMENT PERSONNEL

Key management personnel of ForestrySA include the Minister, directors, the Chief Executive, executive team members and the Human Resource (HR) advisor who have responsibility for the strategic direction and management of the authority. The compensation detailed below excludes salaries and other benefits the Minister for Agriculture, Food and Fisheries, Forests, Tourism, Recreation and Sport, and Racing 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.

(a) Board Members

The following persons held positions on the governing board during the financial year:

I.J. Kowalick - Chairman
J.R. Roache
S. West (ceased 30/9/2016)
S.W. Ashby (appointed 3/11/2016)

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

22 KEY MANAGEMENT PERSONNEL CONT. (b) Other key management personnel

Executive

J.P. Coleman
J. Speed
G. Pearson (ceased 13/4/17)
J.F. O'Hehir
S. Ware
N. Winkley (ceased 30/9/16)
P. Ginn
C. Gibson (commenced 14/11/16)
A. Moylan (appointed 22/5/17)

Chief Executive
General Manager Business Operations
Manager Forest and C&R
General Manager Planning and Development
Finance Manager
Manager External Services
Manager Commercial Forestry Operations
Manager Conservation, Recreation, Fire and Safety
Manager Community and Recreation

Other

Hon L. Bignell
A. Rae (appointed 22/5/17)

Minister for Forests
HR Adviser

(c) Compensation of key management personnel

	2017	2016
	\$ '000	\$ '000
Short term employee benefits paid or due and payable to or on behalf of key management personnel	1,164	1,362
Termination payments paid or due and payable to or on behalf of key management personnel	78	10
Superannuation benefits paid or due and payable to or on behalf of key management personnel	132	163
Total	1,374	1,535

(d) Remuneration of governing board members

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

	2017	2016
	\$ '000	\$ '000
\$0 - \$9 999*	2	1
\$10 000 - \$19 999	-	3
\$20 000 - \$29 999	-	-
\$30 000 - \$39 999	1	1
\$40 000 - \$49 999	1	-
\$50 000 - \$59 999	-	1
Total	4	6

The total remuneration received and receivable by those governing board members was \$98,000 (2016:\$140,000) which includes fringe benefits and superannuation contributions. Note, these amounts are also disclosed in note (c) above.

*In accordance with the Premier and Cabinet Circular No. 016, two SA Government employees (2016: one) did not receive any remuneration for governing board duties during the financial year.

(e) Transactions with Key Management Personnel and other related parties

Transactions between ForestrySA and its directors are made at arm's length. There have been no such transactions in the financial year (2016: nil).

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

23

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
Income							
Sales - timber products		-	-	14,180	18,742	14,180	18,742
Wood sales - back to back		-	-	-	30,447	-	30,447
Sales - management services		-	-	121	3,276	121	3,276
Comm Service Obligation Funding		3,559	3,719	-	-	3,559	3,719
Other Revenues from SA Government		6,149	2,392	-	-	6,149	2,392
GRN Funding		399	389	-	-	399	389
CSO Deferred Income		31	49	-	-	31	49
Interest	4(ii)	233	402	-	161	233	563
Other income	4(iii)	-	-	1,161	1,588	1,161	1,588
Net gain from the disposal of non-current assets	4(iv)	-	-	-	282	-	282
Total Income		10,371	6,951	15,462	54,496	25,833	61,447
Expenses							
Employee benefits	7	95	72	4,401	5,228	4,496	5,300
Contractors		-	-	11,134	12,607	11,134	12,607
Wood purchases - back to back		-	-	-	30,447	-	30,447
Depreciation and amortisation	12,14	-	-	1,506	1,629	1,506	1,629
Materials and equipment		54	99	1,277	1,926	1,331	2,025
Council rates		-	-	293	283	293	283
Impairment of assets		-	-	90	563	90	563
Other expenditure	4(v)	975	974	6,008	7,582	6,983	8,556
Net loss from the disposal of non-current assets	4(iv)	-	-	436	-	436	-
Total Expenses		1,124	1,145	25,145	60,265	26,269	61,410
Trading profit/(loss) before revaluation of standing timber		9,247	5,806	(9,683)	(5,769)	(436)	37
Net change in value of standing timber	11	-	-	5,962	(1,969)	5,962	(1,969)
Land revaluation recorded in asset revaluation surplus	12	-	-	-	-	-	-
Impairment of property, plant and equipment prior to restructure	12	-	-	-	(724)	-	(724)
Property, plant and equipment recorded in asset revaluation surplus	12	-	-	-	(354)	-	(354)
Total comprehensive result		9,247	5,806	(3,721)	(8,816)	5,526	(3,010)

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

Financial Assets

Cash and cash equivalents

Receivables

Total current financial assets

Total financial assets

Financial liabilities

Payables

Employee benefits

Deferred income

Other provisions

Total current financial liabilities

Non-current financial liabilities

Payables

Employee benefits

Deferred income

Other provisions

Total non-current financial liabilities

Total financial liabilities

Total net financial assets

7	11,105	10,892	2,580	8,867	13,685	19,759
8	7,122	3,836	3,049	2,677	10,171	6,513
	18,227	14,728	5,629	11,544	23,856	26,272
	18,227	14,728	5,629	11,544	23,856	26,272
15	557	277	1,884	2,113	2,441	2,390
16	-	-	539	571	539	571
17	47	65	222	284	269	349
18	232	265	-	-	232	265
	836	607	2,645	2,968	3,481	3,575
15	-	-	97	109	97	109
16	-	-	628	704	628	704
17	715	742	55	69	770	811
18	413	576	-	-	413	576
	1,128	1,318	780	882	1,908	2,200
	1,964	1,925	3,425	3,850	5,389	5,775
	16,263	12,803	2,204	7,694	18,467	20,497

NOTES TO THE FINANCIAL STATEMENTS

SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

24 FINANCIAL INSTRUMENTS

(i) Credit risk exposures

The credit risk on financial assets of the economic entity which have been recognised in the Statement of Financial Position, is generally the carrying amount, net of any doubtful debts.

The nature and location of ForestrySA's forestry operations cause concentration of credit risk in relation to trade receivables as 78% of the value of transactions for the financial year were transactions with the three largest (Non SA Government) of ForestrySA's customers (2016: 81%, four largest customers).

Credit risk in trade receivables is managed in the following ways:

- payment terms are 30 days unless otherwise agreed in the terms and conditions of individual contracts.
- a risk assessment process is used for customers with balances over \$10,000.
- bank guarantees are obtained for specific customers (see also note 21).
- interest may be charged on overdue balances.

(ii) Foreign currency risk exposures

As at 30 June 2017 ForestrySA's exposure to foreign currencies is nil (2016: nil).

(iii) Interest rate risk exposures

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table.

	Floating rate \$'000	Non-interest bearing \$'000	Fixed interest maturing			2017 Total \$'000	2016 Total \$'000
			1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000		
Financial assets:							
Cash and cash equivalents	13,685	-	-	-	-	13,685	19,759
Receivables (1)	-	9,304	-	-	-	9,304	6,158
	13,685	9,304	-	-	-	22,989	25,917
Financial liabilities:							
Payables (2)	-	2,269	-	-	-	2,269	2,201
	-	2,269	-	-	-	2,269	2,201
Net Financial assets/(liabilities)	13,685	7,035	-	-	-	20,720	23,716

(1) Other than prepayments and statutory receivables

(2) Other than employee on-costs & statutory payables

A separate sensitivity analysis for movements in interest rates has been undertaken for the interest rate risk of ForestrySA. However, results of the analysis have determined the possible impact on profit and loss from fluctuations in interest rates to be immaterial.

(iv) Ageing analysis of financial assets

	Carrying Amount \$'000	Not past due and not impaired \$'000	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	Impaired financial assets \$'000
2017						
Cash and cash equivalents	13,685	13,685	-	-	-	-
Receivables (1)	9,304	7,946	1,310	26	22	30
	22,989	21,631	1,310	26	22	30
2016						
Cash and cash equivalents	19,759	19,759	-	-	-	-
Receivables (1)	6,158	4,771	868	182	337	31
	25,917	24,530	868	182	337	31

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

NOTES TO THE FINANCIAL STATEMENTS
SOUTH AUSTRALIAN FORESTRY CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

24 FINANCIAL INSTRUMENTS CONT.

(v) Net fair value of financial assets and liabilities

The net fair value of cash, trade receivables (excluding accrued revenue) and trade creditors approximates their carrying amount.

Short-term accrued revenue: The carrying amount approximates fair value because of their short term to maturity.

(vi) Hedging Instruments

Hedges of specific instruments

ForestrySA had one open hedging instrument, in relation to an export sale, in the amount of USD649k for settlement on 25 July 2017.

(vii) Liquidity risk

Liquidity risk relates to difficulties that ForestrySA may encounter in meeting obligations associated with its financial liabilities. ForestrySA manages this risk by maintaining a strong working capital position and having appropriate financing arrangements in place. ForestrySA's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

25 EVENTS AFTER REPORTING DATE

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

There were no events that required adjustments.

26 CHANGE OF ACCOUNTING POLICY

ForestrySA changed its accounting policy from 1 July 2016 and now capitalises assets with a value equal to or in excess of \$10,000. The previous threshold was \$3,000. The change in accounting policy has been retrospectively applied and comparative figures have been restated. This change in policy was required for compliance with ForestrySA's asset management policy.

	2016 Reported \$'000	2016 Adjusted \$'000
Statement of Comprehensive Income		
Revenues from SA Government	6,539	6,549
Depreciation	1,714	1,629
Equipment and vehicle costs	1,225	1,283
Net result		
Statement of Financial Position		
Property, Plant and equipment	54,460	53,917
Intangible Assets	1,159	1,155
Deferred Income - Current	351	349
Deferred Income - Non-Current	971	811
Retained Earnings at 30 June 2016	42,632	42,247
Statement of Changes in equity		
Balance of Retained Earnings at 30 June 2015	42,558	42,134
Net result	(3,047)	(3,010)
Balance of Retained Earnings at 30 June 2016	42,632	42,247
Statement of Cashflows		
Payments to supplier, service providers	(65,095)	(65,153)
Net cash flows from operating activities	(2,775)	(2,833)
Purchase of property, plant and equipment	(342)	(284)
Net cash flows from investing activities	4,158	4,216

SOUTH AUSTRALIAN FORESTRY CORPORATION

Certification of the Financial Statements

We certify that the attached general purpose financial statements of the South Australian Forestry Corporation (ForestrySA):

- Comply with the 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 ForestrySA; and
- Present a true and fair view of the financial position of ForestrySA 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 ForestrySA over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period and there are reasonable grounds to believe ForestrySA will be able to pay its debts as and when they become due and payable, with the continued support of the SA Government to maintain the current community service obligations and subsidy payments.

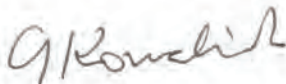
Signed in accordance with a resolution of the Board Members.



Jerome Coleman
CHIEF EXECUTIVE
SOUTH AUSTRALIAN FORESTRY CORPORATION
15 September 2017



Julian Speed
GENERAL MANAGER – BUSINESS OPERATIONS
SOUTH AUSTRALIAN FORESTRY CORPORATION
15 September 2017



Ian Kowalick
CHAIRMAN
SOUTH AUSTRALIAN FORESTRY CORPORATION
15 September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chairman of the Board South Australian Forestry Corporation

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

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 South Australian Forestry Corporation. 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 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.

In preparing the financial report, the Chief Executive 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 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.

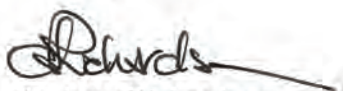
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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
- 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 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

18 September 2017

South Australian
Government Financing
Authority

Financial report
for the year ended
30 June 2017

Statement of Financial Position

as at 30 June 2017

	Note	2017 \$m	2016 \$m
Assets			
Cash and Short Term Assets	4	1,766.1	1,927.9
Assets Held for Sale	5	3.4	2.9
Investments	6	4,675.3	1,736.3
Loans	7	20,665.3	19,857.6
Property, Plant and Equipment	8	162.5	169.4
Intangible Assets	9	3.0	3.4
Derivatives Receivable	10	125.4	254.9
Receivables and Other Assets	11	50.0	57.0
Total Assets		27,451.0	24,009.4
Liabilities			
Deposits and Short Term Borrowings	12	8,680.9	8,048.9
Bonds, Notes and Debentures	13	17,913.0	15,068.9
Outstanding Claims	14	382.9	375.0
Derivatives Payable	15	51.6	115.7
Payables and Other Liabilities	16	54.7	74.0
Total Liabilities		27,083.1	23,682.5
NET ASSETS		367.9	326.9
Equity			
Retained Earnings		367.9	326.9
TOTAL EQUITY		367.9	326.9
Total equity is attributable to the SA Government as owner			
Contingent Assets and Liabilities	21		
Unrecognised Contractual Commitments	26		

The above statement should be read in conjunction with the accompanying Notes to the Financial Statements.

Statement of Comprehensive Income

for the year ended 30 June 2017

	Note	2017 \$m	2016 \$m
Income			
Revenue			
Interest Revenue	17	957.2	971.5
Less Interest Expense	17	968.9	970.3
Net Interest Revenue		(11.7)	1.2
Insurance Premium	17	52.0	48.4
Leasing and Hire	17	57.8	60.6
Recoveries	17	20.3	22.8
Other	17	3.7	3.7
Total Revenue		122.1	136.7
Other Gains/(Losses)			
Net Gain on Financial Instruments and Derivatives	18	108.7	39.8
Net Gain on Sale of Property, Plant and Equipment	18	4.8	1.4
Total Other Gains/(Losses)		113.5	41.2
Total Income		235.6	177.9
Expenses			
Depreciation and Impairment	19	38.6	39.4
Insurance Claims	19	54.6	64.7
Motor Vehicle	19	27.5	28.8
Outward Reinsurance	19	7.7	8.4
Operating	19	15.7	20.1
Total Expenses		144.1	161.4
Profit before income tax equivalents		91.5	16.5
Income Tax Equivalent Expense with SA Government	2 (u)	27.4	4.9
Profit after income tax equivalents		64.1	11.6
Other Comprehensive Income		-	-
Total comprehensive result		64.1	11.6

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 to the Financial Statements.

Statement of Changes in Equity

for the year ended 30 June 2017

		Retained Earnings
	Note	\$m
Balance at 30 June 2015		354.2
Profit after income tax equivalents for 2015-16	2(u)	11.6
Total comprehensive result for 2015-16		11.6
Transactions with SA Government as owner		
Dividends paid		(38.9)
Balance at 30 June 2016		326.9
Profit after income tax equivalents for 2016-17	2(u)	64.1
Total comprehensive result for 2016-17		64.1
Transactions with SA Government as owner		
Dividends paid		(23.1)
Balance at 30 June 2017		367.9

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

The above statement should be read in conjunction with the accompanying Notes to the Financial Statements.

Statement of Cash Flows

for the year ended 30 June 2017

Note	2017 \$m	2016 \$m
Cash flows from operating activities		
Proceeds from:		
Interest on loans and investments	849.8	941.1
Derivatives net interest	40.2	5.7
Insurance Premiums	52.2	63.9
Leasing and Motor Vehicle	63.0	68.3
Recoveries	22.9	24.3
Direct Insurance Placement	9.9	4.7
Stamp duty received from agencies	4.4	5.6
Other receipts	13.1	21.2
Commissions	0.8	0.4
Guarantee Fees received from agencies	114.5	-
Indemnity from Treasurer	2.3	3.8
Payments for:		
Interest on borrowings and deposits	(1,025.6)	(929.9)
Insurance Claims	(43.4)	(57.2)
Motor Vehicle costs	(30.4)	(32.2)
Outwards reinsurance premiums	(8.0)	(8.6)
Direct Insurance Placement	(9.5)	(5.3)
Stamp duty paid to RevenueSA	(5.1)	(4.9)
Operating expenses	(21.8)	(20.7)
Guarantee Fees paid to Treasurer	(128.2)	-
Net GST paid to the ATO	(7.0)	(6.6)
Income Tax Equivalent (TER) paid to Treasurer	(13.8)	(3.9)
Indemnity paid to Treasurer	(7.2)	-
Net GST relating to Investing/Financing activities	(2.2)	(2.9)
Net cash provided by/(used in) operating activities	(22.b) (129.1)	66.8
Cash flows from investing activities		
Net advances of Client Loans	(477.9)	(129.6)
Purchase of Investments	(7,103.9)	(9,627.8)
Proceeds from Investments	4,252.0	10,356.9
Purchase of Property, Plant and Equipment	(63.8)	(81.8)
Purchase of Intangible Assets	(0.4)	(0.8)
Proceeds from the Sale of Property, Plant and Equipment	38.0	53.3
Net cash provided by/(used in) investing activities	(3,356.0)	570.2
Cash flows from financing activities		
Net Borrowings proceeds/(advances)	3,375.1	(723.5)
Net payments for Swaps	(0.4)	-
Dividends paid to Government	(23.1)	(38.9)
Net cash provided by/(used in) financing activities	3,351.6	(762.4)
Net (decrease) in cash held	(133.5)	(125.5)
Cash at the beginning of the financial year	319.0	444.2
Net effect of exchange rate changes	(0.1)	0.3
Cash at the end of the financial year	(22.a) 185.4	319.0

The above statement should be read in conjunction with the accompanying Notes to the Financial Statements.

Notes to the Financial Statements

for the year ended 30 June 2017

1 Objectives

The South Australian Government Financing Authority (SAFA) is a statutory authority of the Government of South Australia ('SA Government') constituted as the Under Treasurer under the *Government Financing Authority Act 1982*. SAFA's registered address is Level 5, State Administration Centre, 200 Victoria Square, Adelaide, South Australia 5000.

SAFA's business objectives are to:

- achieve and maintain certainty of funding for South Australia in the most cost-effective manner and on-lend such funding to public sector entities;
- ensure the efficient and effective delivery of a comprehensive range of funding, asset and liability management, and financial risk management advisory services that meet the needs of clients;
- provide comprehensive insurance protection for SA Government portfolio groups, agencies and all statutory authorities (except those specifically exempted by the Treasurer) at competitive and stable premiums;
- protect the State's finances from a very large property loss or civil liability claim, or a series of large losses or claims in a particular year;
- provide reinsurance to the private insurance market for South Australian building indemnity insurance risks;
- manage SAFA's assets and liabilities and operational infrastructure and risks in a prudent manner to ensure SAFA's ongoing performance capability and financial viability; and
- provide fleet services to public sector entities including policy advice, vehicle leasing, maintenance, accident and fuel management, vehicle fit out and disposal preparation.

2 Significant Accounting Policies

a. Statement of Compliance

The Financial Statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The Financial Statements are general purpose financial statements which comply with relevant Australian Accounting Standards, as issued by the Australian Accounting Standards Board. The Financial Statements also comply with the requirements of the Treasurer's Instructions and Accounting Policy Statements relating to financial statements by statutory authorities that are issued pursuant to the *Public Finance and Audit Act 1987*.

SAFA has applied Australian Accounting Standards that are applicable to for-profit entities, as it is a for-profit entity for financial reporting purposes.

Australian Accounting Standards that have recently been issued or amended but are not yet effective, which have not been adopted by SAFA for the reporting period ending 30 June 2017, are detailed in Note 2(x).

b. Basis of Preparation

These Financial Statements have been prepared in accordance with accounting policy statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*, by authority of Treasurer's Instruction 19 *Financial Reporting*. 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 counterparty/transaction is with an entity within the SA Government as at the reporting date, are classified according to their nature (a threshold of \$100,000 for separate identification of these items applies); and
- ii) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income).

The Financial Statements have been prepared on the basis of fair value measurement of assets and liabilities except where otherwise indicated.

The Financial Statements have been prepared based on a 12 month period and the presentation currency is Australian dollars. All values are rounded to the nearest hundred thousand unless otherwise stated. Zero represents amounts less than fifty thousand dollars, whilst a dash represents a nil balance.

2 Significant Accounting Policies (continued)

c. Reporting Entity

The financial report covers SAFA as an individual reporting entity. As SAFA does not have any controlled entities there are no consolidated financial statements.

d. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Financial Statements to conform with Australian Accounting Standards requires the use of critical accounting estimates. It also requires Management to exercise its judgement in the process of applying SAFA's accounting policies. Management has made the following judgements which have the most significant effect on the amounts recognised in the Financial Statements:

(i) Measurement of Outstanding Claims

Outstanding insurance claims liabilities are calculated using statistical and/or mathematical methods. The calculations are made by an actuary on the basis of recognised actuarial methods, with due regard to relevant actuarial principles (refer Note 30).

(ii) Measurement of Fair Value

When measuring fair values of financial assets and liabilities, SAFA maximises the use of relevant market-based data. The fair values of financial assets and liabilities that are traded in active markets are determined with reference to quoted market prices or quotations. For financial assets and liabilities where market-based data are not readily available (or transparent) SAFA determines fair values using standard valuation techniques incorporating discounted cash flows on appropriate yield curves of similar traded securities, taking into account their risk characteristics.

e. Income and Expense Recognition

SAFA recognises income and expenses when the amounts can be reliably measured, it is probable that the future economic benefits will flow to or from SAFA and when specific recognition criteria have been met for each of the activities described below.

(i) Interest

Interest revenue and expense is accrued in accordance with the terms and conditions of the underlying financial instrument. Premiums and discounts are amortised over the life of the associated investments and borrowings.

Net realised gains or losses and unrealised gains or losses are included in the Statement of Comprehensive Income (refer Note 18).

(ii) Insurance Premium Revenue

Premium revenue includes amounts charged to policy holders but excludes stamp duty and Goods and Services Tax. Premium revenue is recognised in the Statement of Comprehensive Income as earned from the date of attachment of risk and is recognised evenly over the policy or indemnity period, which is considered to closely approximate the pattern of risks underwritten.

All South Australian Government agencies are required to insure with SAFA unless exempted by the Treasurer. In those circumstances where SAFA considers it more appropriate for some of the risks of a government agency to be placed with other insurers, SAFA will arrange for such insurance and will recover the insurance premium from the agency concerned. For the purposes of the Financial Statements, these arrangements are referred to as Direct Insurance Placements.

The *Building Work Contractors Act 1995 (SA)* and Regulations is compulsory in South Australia and requires builders to hold building indemnity insurance (BII) to protect home owners against losses arising from the insolvency, death or disappearance of their builder up to a maximum sum insured of \$80,000 per building project or such other amount prescribed under the *Building Work Contractors Act 1995 (SA)*. From 1 July 2013 SAFA began offering BII cover to builders in South Australia. The premium for BII provides insurance cover for periods of up to five years, commencing from the date of the insurance contract.

2 Significant Accounting Policies (continued)

e. Income and Expense Recognition (continued)

(iii) Leasing and Hire Revenue

SAFA leases motor vehicles to South Australian Government agencies for a standard lease period of three years or 60,000 kilometres, whichever occurs first. By arrangement, some vehicle leases can be extended to five years or 100,000 kilometres, due to the nature of the lessee's business requirements. The lease to agencies covers registration, compulsory third party and property damage insurance, property insurance, scheduled servicing, depreciation, interest costs and a management fee. Leasing and Hire revenue is recognised on a straight line basis over the term of the lease. The property insurance component of the lease is recognised under Insurance Premium in the Statement of Comprehensive Income (refer Note 17).

(iv) Revenue Recoveries

Vehicle recoveries include fuel and any unscheduled maintenance of the vehicle over the period of the lease. Any excessive wear and tear costs are recovered from agencies at the end of the lease. Other vehicle recoveries include parking costs, miscellaneous charges and commission on disposal of vehicles.

Insurance recoveries comprise any recoveries from third parties. Recoveries receivable on paid claims, reported claims not yet paid, claims incurred but not reported and unexpired risk liabilities are recognised as revenue.

(v) Other Revenue

Fee revenue in respect of services provided is recognised in the period in which the service is provided.

(vi) Insurance Claims Expense

Insurance claims expense includes the direct and indirect costs of settling claims, claim payments, deductible receipts and movements in underlying claim estimates.

(vii) Motor Vehicle Expenses

Direct costs associated with the ownership of the motor vehicle fleet including registration, compulsory third party insurance, all maintenance and repair costs, fuel and disposal costs.

(viii) Outwards Reinsurance

Premiums ceded to reinsurers are recognised as an expense in accordance with the pattern of reinsurance services received. Accordingly, a portion of the outwards reinsurance premiums may be treated at the end of the reporting period as a prepayment. This program includes the catastrophe reinsurance program which has been effected to safeguard the State's finances against very large losses or claims, or a series of large losses or claims in any year under the Government's insurance and risk management arrangements.

(ix) Indemnity from/(to) the Treasurer

Insurance activities are segregated into three Funds. The Treasurer has indemnified SAFA for any operating profit or loss before tax for any activities relating to Fund 2 and Fund 3 (refer Note 21(c)). Under these arrangements any profit/loss on these Funds are recognised as payables to/receivables from the Treasurer. Any payables to the Treasurer are carried forward to offset future operating losses.

f. Cash and Short Term Assets

Cash and short term assets in the Statement of Financial Position include Cash, Short Term Money Market Deposits, Overdraft Facilities and Negotiable Certificates of Deposit that are held for liquidity and short term investment purposes (refer Note 4).

For the purposes of the Statement of Cash Flows, cash consist of Cash and Deposits from Financial Institutions and Short Term Money Market Deposits as defined above, but exclude Negotiable Certificates of Deposit and the Overdraft Facility where the securities are for investment purposes and not for the purpose of meeting short term cash commitments.

2 Significant Accounting Policies (continued)

g. Assets Held for Sale

Assets are classified as held for sale, and stated at the lower of their carrying amount or 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 within one year from the date of classification (refer Note 5).

h. Financial Instruments

Financial assets and liabilities designated at fair value through profit or loss

All financial assets and liabilities, on recognition, are designated at fair value through profit or loss. This designation is determined on the basis that SAFA manages and evaluates the performance of its financial assets and liabilities on a fair value basis in accordance with documented risk management strategies.

Financial assets and liabilities (including derivatives) are recorded at fair value in the Statement of Financial Position. All financial assets and liabilities are revalued to reflect market movements with gains or losses, whether realised or unrealised, being recognised immediately in the Statement of Comprehensive Income (refer Note 18). Financial assets and liabilities are revalued regularly either at their quoted market price, or their cash flows are discounted against the relevant yield curve.

(i) Investments

Investments are assets which are purchased as part of SAFA's liquidity and interest rate risk management and may be sold prior to maturity in response to various factors including changes in interest rates and funding requirements of the South Australian public sector. Additionally, SAFA may hold investments it has purchased at the direction of the South Australian Government and/or as may be determined by the Treasurer to be in the interests of the State of South Australia (refer Note 6).

(ii) Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market (refer Note 7).

(iii) Deposits and Short Term Borrowings

Deposits and Short Term Borrowings include At Call Deposits, Collateral Deposits from Financial Institutions and Term Deposits. SAFA also raises short term funds through the issue of Commercial Paper both in the domestic and overseas markets (refer Note 12).

(iv) Repurchase Agreements

Securities sold under an agreement to repurchase remain as an investment whilst the obligation to repurchase is recorded as a liability in Deposits and Short Term Borrowings (refer Note 12). At 30 June 2017 SAFA had no repurchase agreements.

(v) Bonds, Notes and Debentures

Funds are raised through various instruments including bonds, notes and debentures. All borrowings are raised on an unsecured basis (refer Note 13).

(vi) Derivative Instruments

SAFA utilises derivative instruments (including futures, foreign exchange contracts, forward rate arrangements, foreign exchange swaps and interest rate swaps) in fundraising, debt management and client activities. Derivative instruments are used to convert funding costs, facilitate diversification of funding sources, reconfigure interest rate risk profiles and manage foreign currency exposures. Interest receipts and interest payments are accrued on a gross basis and classified as interest revenue and interest expense in the Statement of Comprehensive Income (refer Notes 10 and 15).

2 Significant Accounting Policies (continued)

i. Assets backing general insurance liabilities

Assets which back SAFA's insurance liabilities are those generated through premium revenue. These assets are invested to reflect the nature of the policy liabilities, and are comprised of operating cash, cash held on deposit and units invested with Funds SA (refer Notes 4 and 6). In accordance with AASB 1023 *General Insurance Contracts*, SAFA's longer-term insurance investments with Funds SA are measured at fair value, based on quoted market prices as advised by the fund manager. Subsequent measurement is at fair value with any resultant unrealised gains or losses recognised in the Statement of Comprehensive Income (refer Note 18).

j. Reinsurance and Other Recoveries

Recoveries receivable on paid claims, reported claims not yet paid, claims incurred but not reported and unexpired risk liabilities are recognised as revenue. Recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. The details of inflation and discount rates used are set out in Note 30.

Collectability of recoveries is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount.

k. Property, Plant and Equipment

Property, Plant and Equipment is stated at cost less accumulated depreciation.

(i) Depreciation

Depreciation of Property, Plant and Equipment is calculated on a straight line basis using rates designated to allocate the depreciable cost over the expected useful life of the asset. Motor Vehicles are depreciated on a straight line basis for a period of up to five years (refer Note 8).

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, during each financial year. Changes in the residual value or 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.

(ii) Impairment

The carrying values of Property, Plant and Equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount.

l. Intangible Assets

Intangible assets represent purchased software licenses, which are carried at the cost to acquire and install the specific software less any accumulated amortisation and any accumulated impairment losses.

Expenditure on purchased software assets is capitalised when it is probable that future economic benefits attributable to the assets will flow to SAFA, and if the cost of the asset can be measured reliably. Subsequent expenditure on the maintenance of purchased software is expensed as incurred.

(i) Amortisation

Amortisation of intangible assets is calculated on a straight line basis using rates designated to allocate the cost over the expected useful life of the asset. Software costs are amortised on a straight line basis for a period of five to ten years (refer Note 9). Amortisation has been included in Depreciation and Impairment expense within the Statement of Comprehensive Income.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, each financial year. Where a change to the residual value or useful life of an asset has been identified any impact that may result from this change is recognised in the Statement of Comprehensive Income in the year in which it arises.

2 Significant Accounting Policies (continued)

l. Intangible Assets (continued)

(ii) Impairment

The carrying values of intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Depreciation and Impairment Expense within the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount.

m. Outstanding Claims Liability

Insurance activities are segregated into three Funds. Liabilities for outstanding claims for Fund 1 are measured as the central estimate of the present value of the expected future payments for claims incurred, plus an additional risk margin to allow for inherent uncertainty in the central estimate.

The liability for outstanding claims at balance date comprises:

- claims that have been incurred but not paid;
- claims incurred but not reported (IBNR);
- claims incurred but not enough reported (IBNER);
- risk margins; and
- claims handling costs, which includes anticipated direct and indirect costs of settling those claims.

Liabilities for outstanding claims for Fund 2 are recognised in respect of reported incidents including the anticipated costs of settling these claims and a risk margin. Details of risk margin rates are disclosed in Note 30.

Liabilities for outstanding claims for Fund 3 are determined by applying an earning pattern to the written premium and then combining a loss ratio to the development pattern of emerging claims costs. Details of risk margin rates are disclosed in Note 30.

The expected future payments are discounted to present value using a risk-free rate, derived from the interest rates on Commonwealth Government fixed interest securities with terms to maturity that match, as close as possible, the estimated future claim payments. Details of the inflation and discount rates and other actuarial assumptions are disclosed in Note 30.

n. Receivables and Other Assets / Payables and Other Liabilities

Receivables include amounts receivable from goods and services, GST input tax credits recoverable, other assets including debtors and fee accruals. Payables include accounts payable representing amounts owing for goods and services received prior to the end of the reporting period that are unpaid, GST payable, other liabilities including interest paid in advance, creditors, expense accruals and provisions. They are all stated at book value, which is the best estimate of fair value as they are typically settled within a short period of time (refer Notes 11 and 16).

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

o. Government Guarantee Fees

Loans advanced by SAFA to government agencies are guaranteed by the SA Government. In return for this guarantee a market based fee is due by the individual government agencies to the Treasurer. These fees are not revenue or expenses of SAFA. SAFA collects these fees from the government agencies and remits them to the Treasurer on a periodic basis. Due to timing differences between the collection of these fees from the government agencies and remittance of these fees to the Treasurer, SAFA recognises receivables and payables in relation to these fees (refer Note 17).

p. Dividends

Under governing legislation and SAFA policy, dividends are payable by SAFA to the Treasurer on an annual basis dependent on a range of factors including SAFA's profitability and solvency of its insurance business. Where a dividend is payable, an interim dividend is required to be paid prior to the end of the financial year based on estimates of the full financial year profit. The final dividend due is determined following finalisation of the financial year results, with any difference between the interim dividend payment and the final dividend due either deducted from, or added to, the interim dividend payment for the following financial year. The payment of dividends is subject to the approval of the Treasurer.

2 Significant Accounting Policies (continued)

q. Deferred Acquisition Costs

Costs directly attributable to the acquisition of the BII premium revenue (Fund 3) are deferred by recognising these costs as an asset in the Statement of Financial Position when they can be reliably measured. Deferred acquisition costs are amortised systematically over the life of the insurance policy in line with the expected pattern of the incidence of risk.

r. Unearned Premium Liability

The Liability Adequacy Test (LAT) is performed on the BII liabilities less deferred acquisition costs to ensure the carrying value of the unearned premium liability is adequate, using current estimates of the present value of future cash flows relating to future claims.

The need for an additional risk margin is assessed, taking into account the inherent uncertainty in the central claims estimate. If the assessment shows the carrying amount of the liabilities is inadequate, any deficiency is recognised as an expense in the Statement of Comprehensive Income by firstly writing down the deferred acquisition cost. If an additional liability is required, this is recognised in the Statement of Financial Position as an unexpired risk liability.

s. Foreign Currency Translation

Foreign currency assets and liabilities are recognised in the Financial Statements at the prevailing exchange rate at the reporting date. Revenue and expense items are translated at the exchange rate current at the date at which those items were recognised in the Financial Statements.

t. Employee Benefits

SAFA does not employ any direct staff, but is assigned staff resources by the Department of Treasury and Finance (DTF) through a Service Level Agreement pursuant to Section 20 of the *Government Financing Authority Act 1982*. The responsibility to provide for employer contributions to superannuation benefits rests with DTF, and for this reason SAFA is not required to establish a provision. DTF meets long service leave liabilities as they fall due.

u. Taxation

(i) Accounting Profits Tax Model

In accordance with Treasurer's Instruction 22 Tax Equivalent Payments, SAFA is required to pay the Treasurer an income tax equivalent amount. The income tax liability is based on the Taxation Equivalent Regime (TER) which applies the accounting profit method. This requires SAFA to apply the corporate income tax rate to the net profit. The current income tax equivalent liability relates to the income tax expense outstanding for the current period.

(ii) Goods and Services Tax (GST)

SAFA is grouped with DTF for GST purposes. Income, expenses and assets are recognised net of the amount of GST, except:

- where the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of an asset or as part the expense item; or
- for receivables and payables, which are recognised inclusive of GST.

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 net basis and the GST component of cash flows arising from investing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

(iii) Stamp Duty

Stamp duty collected as part of insurance premiums is excluded from premium revenue and paid monthly to RevenueSA.

2 Significant Accounting Policies (continued)

v. Supplementary Information by Line of Business

SAFA is an individual reporting entity which operates in three core lines of business, Treasury, Insurance and Fleet Management (refer to Note 3).

w. Comparatives

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 impractical.

x. Changes in Accounting Policies

SAFA has adopted the following relevant new accounting standards and amendments to standards, applicable to annual periods commencing on or after 1 January 2016:

(i) AASB 2014-4 *Clarification of Acceptable Method of Depreciation and Amortisation*

This standard clarifies that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. In addition, it also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This standard has not impacted on SAFA as it depreciates and amortises assets over the expected pattern of future economic benefits or service potential and does not use any revenue based method.

(ii) AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*

This standard provides clarification regarding the disclosure requirements within AASB 101 *Presentation of Financial Statements* ensuring that preparers can apply judgement when determining what information is to be disclosed. In addition, the standard makes consequential amendments to AASB 7 *Financial Instruments: Disclosures*, AASB 134 *Interim Financial Reporting* and AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The amendments are designed to ensure that material information is not obscured by immaterial information in the Financial Statements. The application of this amending standard has not resulted in any material changes to SAFA's Financial Statements.

The following accounting standards have been issued but are not yet effective. These accounting standards have not been early adopted by SAFA, but will be relevant upon application. The financial effects of implementing these new standards, where relevant, are yet to be determined.

(i) AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

This standard amends AASB 107 *Statement of Cash Flows* to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This standard is applicable to annual reporting periods beginning on or after 1 January 2017. SAFA will apply this standard for the first time in its 2017-18 Financial Statements.

(ii) AASB 9 *Financial Instruments (and applicable amendments)*

AASB 9 supersedes AASB 139 *Financial Instruments: Recognition and Measurement*. The new standard provides the principles for the classification, measurement, recognition, derecognition and disclosure associated with financial assets and financial liabilities. This includes new categories for debt financial instrument classification (amortised cost and fair value) as well as additional requirements in relation to hedge accounting and a new impairment model. While SAFA is currently assessing the potential effects of this standard, it should be noted that SAFA's financial assets and liabilities are already carried at fair value and that SAFA does not currently engage in hedge accounting. This standard is applicable to annual reporting periods commencing on or after 1 January 2018. SAFA will apply this standard for the first time in its 2018-19 Financial Statements.

2 Significant Accounting Policies (continued)

x. Changes in Accounting Policies (continued)

(iii) AASB 15 *Revenue from Contracts with Customers* (and applicable amendments)

AASB 15 has been developed to address a number of deficiencies with existing accounting standards and related interpretations relating to revenue. For SAFA, the impact of the new standard is not likely to be as extensive as would be the case for some reporting entities in other industries. Many of SAFA's core activities are not within the scope of the standard, which specifically excludes: lease contracts; insurance contracts; financial instruments; and some guarantees. Revenue arising from these activities are likely to continue being reported in line with other existing standards specific to leases, insurance and financial instruments. This standard is applicable to annual reporting periods commencing on or after 1 January 2018. SAFA will apply this standard for the first time in its 2018-19 Financial Statements.

(iv) AASB 16 *Leases*

The standard introduces a single lessee accounting model and 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. The standard substantially carries forward the lessor accounting requirements of existing AASB 117 *Leases*. This Standard is applicable to annual reporting periods beginning on or after 1 January 2019. SAFA will apply this standard for the first time in its 2019-20 Financial Statements.

Note 3 Supplementary Information by Line of Business

SAFA operates in the following lines of business:

Treasury - provides funds and financial advice to the South Australian Government, Semi-Government Authorities, South Australian Public Sector Financial Institutions and Government agencies.

Insurance - underwriting several types of general insurance for South Australian Government agencies.

Fleet - provides comprehensive fleet management services to South Australian Government agencies for its passenger and light commercial motor vehicle fleet.

The Insurance activities are designated into three Funds. Fund 1 reflects the normal commercial activities of SAFA while Fund 2 includes all the activities previously conducted through Section 2 of the South Australian Government Insurance and Risk Management Fund. This Fund is used to fund liabilities arising from insurable incidents that occurred prior to 1 July 1994, claims under the building warranty indemnity reinsurance arrangement with QBE Insurance (Australia) Limited (QBE) until 30 June 2013, SGIC residual claims and workers compensation claims previously managed by South Australian Asset Management Corporation. Fund 3 is used to fund liabilities arising from claims under the building indemnity insurance scheme effective from 1 July 2013.

2017	Treasury \$m	Insurance \$m	Fleet \$m	Eliminations \$m	Total \$m
Income	38.0	115.8	85.7	(3.9)	235.6
Expenses	12.7	61.0	74.3	(3.9)	144.1
Profit before income tax equivalents	25.3	54.8	11.4	-	91.5
Income tax equivalent expense	7.6	16.4	3.4	-	27.4
Comprehensive result	17.7	38.4	8.0	-	64.1
Business Line assets	26,948.6	601.3	205.0	(303.9)	27,451.0
Business Line liabilities	(26,810.4)	(409.3)	(167.3)	303.9	(27,083.1)
Net Assets	138.2	192.0	37.7	-	367.9
2016	Treasury \$m	Insurance \$m	Fleet \$m	Eliminations \$m	Total \$m
Income	30.8	67.6	83.7	(4.2)	177.9
Expenses	12.0	77.7	75.9	(4.2)	161.4
Profit before income tax equivalents	18.8	(10.1)	7.8	-	16.5
Income tax equivalent expense	5.6	(3.0)	2.3	-	4.9
Comprehensive result	13.2	(7.1)	5.5	-	11.6
Business Line assets	23,500.7	603.1	212.0	(306.4)	24,009.4
Business Line liabilities	(23,370.3)	(441.9)	(176.7)	306.4	(23,682.5)
Net Assets	130.4	161.2	35.3	-	326.9

Note 4 Cash and Short Term Assets

	2017 \$m	2016 \$m
Cash at Bank	25.4	17.6
Deposits with the Treasurer	29.7	45.9
Short Term Money Market Deposits	150.6	325.5
Negotiable Certificates of Deposit	1,339.2	1,339.2
Overdraft Facility	221.2	199.7
Total Cash and Short Term Assets	1,766.1	1,927.9

Note 5 Assets Held for Sale

	2017 \$m	2016 \$m
Motor Vehicles	3.4	2.9
Total Assets Held for Sale	3.4	2.9

The Fleet segment of SAFA leases motor vehicles to agencies of the South Australian Government. At the end of each lease the motor vehicles are classified as held for sale as preparations are made for their sale. Pickles Auctions Pty Ltd provide the motor vehicle disposal management services for SAFA. As at 30 June 2017, no impairment losses on assets sold or held for sale have been recorded in the Statement of Comprehensive Income (2015-16: Nil).

Note 6 Investments

	2017 \$m	2016 \$m
Semi-Government Securities	614.1	283.6
Local Government Securities	0.1	1.3
Bank and Corporate Securities	3,483.2	912.0
Funds SA	577.9	539.2
Listed Shares	-	0.2
Equity Investments	-	0.0
Total Investments	4,675.3	1,736.3

Note 7 Loans

	2017 \$m	2016 \$m
Loans to the Treasurer at Market Rates	11.6	15.5
Loans to the Treasurer at Non Market Rates	20.2	20.5
Loans to the Treasurer at Cost of Funds (COF)	4,894.6	5,392.7
Loans to the Treasurer at Cash	6,121.4	5,101.3
Loans to Public Non Financial Corporations	7,930.2	7,586.1
Loans to Public Financial Corporations	1,653.2	1,712.8
Loans to Local Government	25.0	28.7
Loans to Non Government Schools	7.2	-
Loans to Other Government Entities	1.9	-
Total Loans	20,665.3	19,857.6

The COF loan to the Treasurer is funded through a range of financial assets and liabilities within the Treasurer's Portfolio. Any gains or losses, whether realised or unrealised, on the assets and liabilities in the Treasurer's Portfolio that fund the loan are equally offset by a gain or loss on the COF loan to the Treasurer.

Note 8 Property, Plant and Equipment

	2017 \$m	2016 \$m
Motor Vehicles		
At cost	229.1	227.8
Accumulated depreciation	(66.6)	(58.4)
Impairment	-	0.0
Total Property, Plant and Equipment	162.5	169.4

	2017 \$m	2016 \$m
Reconciliation of Property, Plant and Equipment		
Motor Vehicles		
Carrying amount at the beginning of the period	169.4	177.6
Additions	65.7	80.3
Assets classified as held for sale	(3.4)	(2.9)
Disposals	(31.1)	(46.5)
Depreciation expense	(38.1)	(39.1)
Carrying amount at the end of the period	162.5	169.4

Note 9 Intangible Assets

	2017 \$m	2016 \$m
Software Purchased		
At cost	4.0	4.0
Work in Progress	0.1	-
Accumulated amortisation	(1.1)	(0.6)
Total Intangible Assets	3.0	3.4

	2017 \$m	2016 \$m
Reconciliation of Software Purchased		
Carrying amount at the beginning of the period	3.4	2.6
Additions	0.1	1.1
Amortisation expense	(0.5)	(0.3)
Carrying amount at the end of the period	3.0	3.4

Note 10 Derivatives Receivable

	2017 \$m	2016 \$m
Foreign Currency Swaps	-	66.7
Interest Rate Swaps - South Australian Government	4.1	7.1
Interest Rate Swaps	121.3	181.1
Total Derivatives Receivable	125.4	254.9

Note 11 Receivables and Other Assets

	2017 \$m	2016 \$m
Receivables	5.7	4.7
Receivables - South Australian Government	31.0	36.1
Recoveries	2.7	2.8
Less: Allowance for Impairment loss	(0.1)	(0.1)
Receivables from the Treasurer	3.7	2.3
Prepayments - South Australian Government	2.2	2.1
Prepayments	2.9	3.1
Sundry Debtors - South Australian Government	0.0	0.1
Deferred Acquisition Costs	1.9	2.8
Income Tax Equivalent	-	3.1
Total Receivables and Other Assets	50.0	57.0

Movement in the allowance for Impairment loss

The 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 the Statement of Comprehensive Income.

	2017 \$m	2016 \$m
Carrying amount at the beginning of the period	0.1	0.1
Allowance for impairment loss recognised during the year	0.0	-
Carrying amount at the end of the period	0.1	0.1

Note 12 Deposits and Short Term Borrowings

	2017 \$m	2016 \$m
At Call Deposits	14.8	26.2
Collateral Deposits from Financial Institutions	19.5	69.5
Deposits from the Treasurer	6,449.4	5,189.6
Deposits from South Australian Government agencies	219.5	448.9
Commercial Paper	1,977.7	2,334.7
Total Deposits and Short Term Borrowings	8,680.9	8,048.9

Note 13 Bonds, Notes and Debentures

	2017 \$m	2016 \$m
Floating Rate Notes	4,013.9	4,014.1
Select Lines	13,539.2	10,674.6
Retail Stock	100.0	94.3
Inflation Linked Bonds and Securities	2.1	3.1
Obligation to the Commonwealth Government	257.8	282.8
Total Bonds, Notes and Debentures	17,913.0	15,068.9

Note 14 Outstanding Claims

	2017 \$m	2016 \$m
Outstanding Claims - South Australian Government	21.0	10.4
Outstanding Claims	361.9	364.6
Total Outstanding Claims	382.9	375.0

Reconciliation of Movements in Outstanding Claims

	Property \$m	Liability \$m	Medical Malpractice \$m
2016 Balance	10.4	73.1	291.4
Paid	(5.4)	(15.5)	(23.2)
Reported Claims	13.9	21.1	11.5
IBNR/IBNER Reserve	(0.1)	(1.3)	5.6
Risk Margin	1.8	1.3	(2.2)
Indirect Claims Settlement Reserve	0.4	0.4	(0.3)
2017 Balance	21.0	79.1	282.8
30 June 2017 Outstanding Claims balance by:			
Fund 1	20.0	55.0	279.8
Fund 2	1.0	13.4	3.0
Fund 3	-	10.7	-
	21.0	79.1	282.8

Note 15 Derivatives Payable

	2017 \$m	2016 \$m
Foreign Currency Swaps	-	66.4
Interest Rate Swaps - South Australian Government	0.1	0.1
Interest Rate Swaps	51.5	49.2
Total Derivatives Payable	51.6	115.7

Note 16 Payables and Other Liabilities

	2017 \$m	2016 \$m
Sundry Creditors - South Australian Government	0.2	0.3
Sundry Creditors	0.5	2.6
Payables	8.6	7.6
Payables - South Australian Government	11.2	4.0
Payables to the Treasurer	4.8	14.2
Unearned Revenue	18.8	45.3
Income Tax Equivalent	10.6	-
Total Payables and Other Liabilities	54.7	74.0

Note 17 Revenue	Note	2017 \$m	2016 \$m
Interest Revenue			
External to South Australian Government:			
Cash and Short Term Assets		28.5	45.2
Investments		56.8	52.8
Loans		0.6	0.5
Receivables and Other Assets		333.9	311.3
Internal to South Australian Government:			
Cash and Short Term Assets		4.1	0.9
Loans		529.0	555.9
Receivables and Other Assets		4.3	4.9
		957.2	971.5
Less Interest Expense			
External to South Australian Government:			
Deposits and Short Term Borrowings		38.9	49.7
Bonds, Notes and Debentures		547.7	560.5
Payables and Other Liabilities		296.8	281.0
Internal to South Australian Government:			
Deposits and Short Term Borrowings		83.4	76.6
Payables and Other Liabilities		2.1	2.5
		968.9	970.3
Net Interest Revenue		(11.7)	1.2
Insurance Premium			
External to South Australian Government		8.7	6.6
Internal to South Australian Government		43.3	41.8
	20	52.0	48.4
Leasing and Hire			
Internal to South Australian Government		57.8	60.6
		57.8	60.6
Recoveries			
External to South Australian Government		1.0	2.9
Internal to South Australian Government		19.3	19.9
		20.3	22.8
Other			
External to South Australian Government:			
Other Revenue		2.0	1.8
Commissions		1.3	1.2
Dividend		-	0.0
Internal to South Australian Government:			
Other Revenue		0.0	0.0
Management Fees		0.4	0.7
Guarantee Fees		0.0	-
		3.7	3.7
Total Revenue		122.1	136.7

Note 18 Other Gains/(Losses)	Note	2017 \$m	2016 \$m
Net Gain/(Loss) on Financial Instruments and Derivatives			
External to South Australian Government:			
Realised		(40.2)	14.0
Unrealised		385.0	(303.1)
Internal to South Australian Government:			
Realised		100.2	1.8
Unrealised		(336.3)	327.1
		108.7	39.8
Net Gain on Sale of Property, Plant and Equipment			
External to South Australian Government		4.8	1.4
		4.8	1.4
Total Other Gains/(Losses)		113.5	41.2
Note 19 Expenses		2017 \$m	2016 \$m
Insurance Claims			
External to South Australian Government		55.8	62.5
Internal to South Australian Government		(1.2)	2.2
	20	54.6	64.7
Motor Vehicle			
External to South Australian Government		22.4	23.6
Internal to South Australian Government		5.1	5.2
		27.5	28.8
Reinsurance			
External to South Australian Government		7.7	8.4
	20	7.7	8.4
Depreciation and Impairment			
Internal to South Australian Government		38.6	39.4
		38.6	39.4
Operating			
External to South Australian Government:			
Program and Debt Management fees		1.4	1.1
Direct Insurance Placement costs		0.1	0.0
Bad Debts written off		0.0	0.1
Management Fees		6.1	3.9
Consultants/Contractors	25	0.4	0.0
Rent		0.6	0.6
Systems		0.6	0.5
Other		0.4	0.1
Internal to South Australian Government:			
Indemnity to/(from) the Treasurer		(5.8)	2.2
Service Level Agreement		11.9	11.6
		15.7	20.1
Total Expenses		144.1	161.4

A Service Level Agreement (SLA) operates between SAFA and DTF. DTF provides services to SAFA to enable SAFA to undertake its business activities in a manner so that SAFA may achieve its key outcomes. DTF provides SAFA with appropriately trained and skilled staff along with infrastructure support. The majority of the fee covers staffing, accommodation, audit and network systems expenditure.

SLA costs of \$1,266,661 (2015-16: \$1,318,978) relating to SAFA's insurance business activities have been allocated directly to claims expense.

Note 20 Net Claims Incurred and Underwriting Result

The following table provides detail in relation to the net claims incurred cost. Current year claims relate to risks borne in the current reporting period. Prior period claims relate to a reassessment of the risks borne in previous reporting periods.

2017	In respect of Current Year \$000	In respect of Prior Years \$000	Total \$000
Gross Claims Incurred and Related Expenses Undiscounted	73,731	(9,618)	64,113
Other Recoveries Undiscounted	(333)	(571)	(904)
<i>Net Claims Incurred - Undiscounted</i>	<i>73,398</i>	<i>(10,189)</i>	<i>63,209</i>
Discount and Discount Movement - Gross Claims Incurred	(10,329)	(1,250)	(11,579)
Discount and Discount Movement - Other Recoveries	25	43	68
<i>Net Discount Movement</i>	<i>(10,304)</i>	<i>(1,207)</i>	<i>(11,511)</i>
Net Claims Incurred	63,094	(11,396)	51,698

Net claims incurred during 2016-17 in respect of claims incurred prior to 30 June 2016 was \$11.4 million, resulting from:

	\$m
Interest on the 30 June 2016 provision, less payments during 2016-17	7.1
Release of administration allowance and risk margin in respect of payments during 2016-17	(16.8)
Changes in actuarial assumptions and experience deviation from expected	(1.7)
	(11.4)

2016	In respect of Current Year \$000	In respect of Prior Years \$000	Total \$000
Gross Claims Incurred and Related Expenses Undiscounted	58,949	(5,633)	53,316
Other Recoveries Undiscounted	(1,079)	(1,278)	(2,357)
<i>Net Claims Incurred - Undiscounted</i>	<i>57,870</i>	<i>(6,911)</i>	<i>50,959</i>
Discount and Discount Movement - Gross Claims Incurred	(7,323)	16,962	9,639
Discount and Discount Movement - Other Recoveries	76	(24)	52
<i>Net Discount Movement</i>	<i>(7,247)</i>	<i>16,938</i>	<i>9,691</i>
Net Claims Incurred	50,623	10,027	60,650

Net claims incurred during 2015-16 in respect of claims incurred prior to 30 June 2015 was \$10.1 million, resulting from:

	\$m
Interest on the 30 June 2015 provision, less payments during 2015-16	9.8
Release of administration allowance and risk margin in respect of payments during 2015-16	(20.3)
Changes in actuarial assumptions and experience deviation from expected	20.6
	10.1

Note 20 Net Claims Incurred and Underwriting Result (continued)

	2017 \$m	2016 \$m
Net Earned Premium		
Insurance Premium Revenue	52.0	48.4
Outwards Reinsurance Expense	(7.7)	(8.4)
	<u>44.3</u>	<u>40.0</u>
Net Claims Incurred		
Claims Expense	(54.6)	(64.7)
Recoveries Income	1.8	3.0
	<u>(52.8)</u>	<u>(61.7)</u>
Net Underwriting Result	<u>(8.5)</u>	<u>(21.7)</u>

Note 21 Contingent Assets and Liabilities

Contingent Assets

Under Section 15 of the *Government Financing Authority Act, 1982*, all financial obligations incurred or assumed by SAFA are guaranteed by the Treasurer on behalf of the State of South Australia.

Origin Energy has indemnified SAFA if SAFA's guarantee to Osborne Cogeneration Pty Ltd in respect of the obligations of two subsidiaries of Origin Energy Ltd is called upon by Osborne Cogeneration Pty Ltd under arrangements for the generation of electricity at the Osborne Generation Plant. The exposure of the guarantee is estimated at \$150 million to \$200 million until December 2018.

Contingent Liabilities

(a) General

Indemnities provided by SAFA have been primarily issued to third parties involved in financing arrangements with SAFA either directly or indirectly, other statutory authorities and financial institutions of the State, and relate to financial advantages which are expected to be available to those parties or to preserve existing financial advantages.

By its nature insurance underwriting has liabilities contingent upon certain events occurring that give rise to a claim under the policy of insurance. All known and expected claims in respect of events that have occurred up to the end of the reporting period have been accounted for in the preparation of these Financial Statements plus an allowance for claims incurred but not reported and incurred but not enough reported using IBNR and IBNER calculations. Many claims require legal input to negotiate suitable settlements. The results of such negotiations may result in liabilities different to those recognised in the Financial Statements.

(b) Guarantees

Under arrangements for the generation of electricity at the Osborne Generation Plant, SAFA has provided a guarantee to Osborne Cogeneration Pty Ltd in respect of the obligations of two subsidiaries of Origin Energy Ltd. The exposure of the guarantee is estimated at \$150 million to \$200 million until December 2018.

On 1 June 2017 a guarantee of \$4 million for five years was provided to SA Water to enable registration in the National Electricity Market.

(c) Treasurer's Indemnity

The Treasurer has indemnified SAFA against any profit or loss as a result of activities in the Insurance Funds 2 and 3. Given the nature of activities in these Funds, the Treasurer has approved that any operating profit or loss before tax will be nil. This is achieved by negating the operating profit or loss with either a payable to or receivable from the Treasurer. This policy resulted in a payable to the Treasurer of \$1.1 million as at 30 June 2017 (payable to the Treasurer of \$11.9 million as at 30 June 2016).

Note 21 Contingent Assets and Liabilities (continued)

(d) Unused Loan Facilities

As at 30 June 2017, SAFA had extended loan facilities that were unutilised totalling \$1,157.0 million (2015-16: \$1,220.0 million), this is reviewed annually.

Note 22 Cash Flow Information

	Note	2017 \$m	2016 \$m
a. Reconciliation of Cash:			
Cash disclosed in the Statement of Financial Position	4	205.7	389.0
Collateral Deposits from Financial Institutions in the Statement of Financial Position	12	(19.5)	(69.5)
Less accrued income		(0.8)	(0.5)
Balance per Statement of Cash Flows		185.4	319.0
b. Reconciliation of Comprehensive Result to net cash provided by/(used in) operating activities:			
Comprehensive result		64.1	11.6
Non-cash items			
Change in net market value of Financial instruments		(48.5)	(11.9)
Amortisation of Financial instruments		(123.7)	(13.3)
Depreciation and Impairment		38.6	39.4
(Gain)/Loss on Sale of Property, Plant and Equipment		(4.1)	(1.4)
Bad Debts written off		0.0	(0.1)
Capitalised Interest/Gains and Losses		(72.9)	14.7
Loss on sale of Investment		6.8	-
Movement in operating assets and liabilities			
(Increase)/Decrease in accrued interest receivable		(17.3)	(7.4)
(Increase)/Decrease in recoveries receivable		0.2	(1.8)
(Increase)/Decrease in sundry debtors and other assets		13.8	(33.9)
Increase/(Decrease) in accrued interest payable		31.5	13.6
Increase/(Decrease) in outstanding claims		7.9	8.7
Increase/(Decrease) in sundry creditors and other liabilities		(25.5)	48.6
Foreign Currency movement		(0.0)	(0.0)
Net cash provided by/(used in) operating activities		(129.1)	66.8

c. Non Cash Financing and Investing Activities

During 2016-17, \$82.0 million (2015-16: \$1.3 million) was adjusted against the Treasurer's debt for book gains arising from debt management activity.

Note 23 Auditor's Remuneration

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

	2017 \$000	2016 \$000
	205	220
	<u>205</u>	<u>220</u>

No other services were provided by the Auditor-General's Department. All fees are paid through SAFA's SLA with DTF.

Note 24 Related Parties

Key management personnel (KMP) of SAFA include the Treasurer, Under Treasurer, General Manager and Directors, who have responsibility for the strategic direction and management of the authority. Compensation commentary detailed below excludes salaries and other benefits the Treasurer receives. The Treasurer'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 DTF) under section 6 of the *Parliamentary Remuneration Act 1990*.

SAFA's KMP are employed by DTF and provided to SAFA through an SLA.

(a) Key Management Personnel

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

Mr T Koutsantonis	Treasurer
Mr D Reynolds	Under Treasurer
Mr A Blaskett	General Manager
Mr T Burfield	Director Insurance
Mr C Fowler	Director Finance
Mr A Kennedy	Director Treasury Services
Mr D Posaner	Director Corporate Governance and Planning
Ms H Watts	Director Commercial Operations (from April 2017)
Mr G Gaisford	Acting Director Fleet (July 2016-April 2017)

(b) Key Management Personnel Compensation

	2017 \$000
Short-term employee benefits	1,745.1
Post-employment benefits	211.5
Long-term benefits	-
Termination benefits	-
	<u>1,956.6</u>

(c) Related party transactions

SAFA is a statutory authority constituted as the Under Treasurer under the *Government Financing Authority Act 1982*. SAFA is subject to the control and direction of the Treasurer of South Australia who in turn, is responsible to the Parliament of South Australia for the proper administration of the Act.

Related parties include the Government of South Australia and South Australian state public sector organisations, as well as the Treasurer of South Australia and SAFA KMP and their close family members.

(i) Individually significant transactions

SAFA provides a number of loans to, and accepts deposits from, the Treasurer of South Australia. This is one of the primary functions of SAFA.

	Note	2017 \$m	2016 \$m
Deposits with the Treasurer	4	29.7	45.9
Loans to the Treasurer	7	11,047.8	10,530.0
Deposits from the Treasurer	12	6,449.4	5,169.6
Interest Revenue	17	226.9	249.2
Interest Expense	17	(74.7)	(68.7)
Net Gain/(Loss) on Financial Instruments and Derivatives	18	(96.0)	112.8

Note 24 Related Parties Continued

(ii) Collectively significant transactions

SAFA functions as the central financing authority, captive insurer and manager of the passenger and light commercial vehicle fleet operations for the Government of South Australia. Balances and transactions related to these services are reported in various notes to the financial statements, as amounts "internal to the South Australian Government".

Note 25 Consultants and Contractors

	2017	2016
	Consultants	Consultants
Above \$10,000	4	1
	4	1
Total Consultants expense	\$ 176,256	\$ 25,480

In addition to the amounts shown in the table above, \$404,283.34 (2015-16: \$297,175) in consultants fees were paid through SAFA's SLA with DTF. These consultants are disclosed in DTF's Financial Statements.

	2017	2016
	Contractors	Contractors
Below \$10,000	-	1
Above \$10,000	2	-
	2	1
Total Contractors expense	\$ 190,631	\$ 5,064

In addition to the amounts shown in the table above, \$293,902.72 (2015-16: \$465,307) in contractor fees were paid through SAFA's SLA with DTF. These contractors are disclosed in DTF's Financial Statements.

Note 26 Unrecognised Contractual Commitments

(a) Operating Lease Commitments Receivable

SAFA as a Lessor

Leases in which SAFA retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Agencies have entered into commercial leases on motor vehicles owned by SAFA. These leases are for terms up to three years, with an option, subject to approval, to extend in six monthly intervals to a maximum term of four years for passenger vehicles and a maximum term of five years for light commercial vehicles.

Future minimum rentals receivable (excluding GST) under non-cancellable operating leases are as follows:

	2017	2016
	\$m	\$m
Motor Vehicle Hire:		
Not later than one year	46.1	49.5
Later than one year but not later than five years	32.1	37.2
Total Non-Cancellable Operating Lease Receivables	78.2	86.7

b) Other Commitments

SAFA's other commitments relate to software licences and maintenance. These amounts relate to vendors which are external to the South Australian Government.

	2017	2016
	\$m	\$m
Software:		
Not later than one year	0.4	0.5
Later than one year but not later than five years	0.1	0.3
Total Software Commitments	0.5	0.8

Note 27 Capital Management

SAFA's objective is to maintain capital that allows it to continue as a going concern while exposing its stakeholders to an acceptable level of risk. SAFA's capital comprises Retained Earnings (\$367.9m in 2016-17; \$326.9m in 2015-16). The capital position is reviewed periodically by Management to ensure its adequacy is commensurate with the level of risk. Among others, Management considers the following factors when managing capital requirements:

- The overall risk position of the business;
- Dividend policy;
- The requirements of the *Government Financing Authority Act 1982*; and
- The guarantee provided to SAFA by the Treasurer on behalf of the State of South Australia (refer Note 21).

Note 28 Financial Risk Management

SAFA's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate risk, price risk and currency risk) and insurance risk. SAFA's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of SAFA. SAFA uses derivative financial instruments such as futures, foreign exchange contracts, forward rate agreements and interest rate swaps to reduce certain risk exposures.

The guidelines within which these risks are undertaken and managed are established under policies and guidelines approved by the Advisory Board, Treasurer and Management. SAFA monitors compliance with these policies and constraints by appropriately segregating the monitoring from the operating business unit. Information is summarised and reported daily to Management and reported monthly to the Advisory Board.

(a) Credit Risk

Credit risk is the risk of financial loss and associated costs resulting from the failure of a counterparty to meet its financial obligations as and when they fall due. SAFA incurs credit risk through undertaking its core functions of fundraising, debt management, liquidity management and the Government's reinsurance program.

SAFA's dealings in physical securities and other financial contracts, including derivatives, are transacted only with counterparties possessing strong to extremely strong safety characteristics regarding timely payment of principal and interest.

Should a participant in the Government's reinsurance program become insolvent or cease trading, the recoveries to which SAFA may be entitled could be jeopardised in full or in part, or the timing of any recovery may be subject to an insolvency action.

To minimise the potential for credit loss, SAFA complies with stringent credit guidelines. The guidelines are designed to promote diversification of credit risk amongst counterparties while limiting exposure only to highly rated institutions worldwide. The credit guidelines do not apply to loans to South Australian Government entities.

AASB 7 *Financial Instruments: Disclosures*, requires the disclosure of the amount of change in fair value that is attributable to the change in SAFA's credit risk. The following table shows the amount of change in fair value of Liabilities and Loans as at the end of the reporting period that is considered to have contributed to SAFA's credit risk for the period and cumulative.

	2017		2016	
	Period \$m	Cumulative \$m	Period \$m	Cumulative \$m
Loans change in fair value profit/(loss)	13.0	19.0	67.6	16.6
Liabilities change in fair value profit/(loss)	(16.4)	(24.0)	(76.7)	(18.8)

The change in fair values attributable to credit risk have been calculated by determining the change in the spread between SAFA and Swap yield curves at the issue date and period end dates. This spread movement is then applied to the delta of each transaction to calculate the considered credit component. Spreads for the period ending 30 June 2017 have moved by between 0-40 basis points (2015-16: 1-40 basis points).

Note 28 Financial Risk Management (continued)

(i) Credit Quality

The following table sets out the credit quality of financial assets. The ratings have been presented based on credit ratings from Standard and Poors.

The below disclosure measures credit risk for physical securities at face value, and the credit risk of derivative transactions using a mark-to-market methodology that includes an additional factor to cover potential future adverse market movements less any collateral held.

The majority of SAFA's lending is to agencies and corporations of the South Australian Government. In respect to the repayment of loans by authorities (which are fully guaranteed by the Treasurer) the ultimate credit risk is to the Treasurer. The principal focus for SAFA is therefore with risk that arises through investment of funds in financial assets and through derivative transactions with market counterparties.

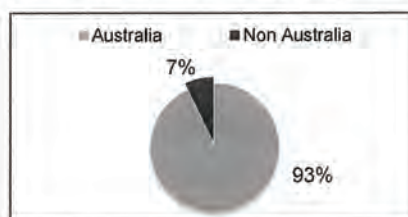
Concentration of Credit Risk by credit rating:

2017 Asset Class	Rating								Total
	AAA \$m	AA+ \$m	AA- \$m	A+ \$m	A \$m	A- \$m	BBB+ \$m	NR* \$m	
Loans/Investments	190.0	649.6	2,560.9	833.7	1,011.0	124.0	140.0	20,662.5	26,171.7
Interest Rate Swaps	-	-	140.4	18.7	-	4.7	-	4.8	168.6
Foreign Exchange	-	-	0.1	-	-	-	-	0.7	0.8
Total	190.0	649.6	2,701.4	852.4	1,011.0	128.7	140.0	20,668.0	26,341.1

2016 Asset Class	Rating								Total
	AAA \$m	AA+ \$m	AA- \$m	A+ \$m	A \$m	A- \$m	BBB+ \$m	NR* \$m	
Loans/Investments	250.7	197.0	1,157.0	289.7	595.9	325.0	89.0	19,263.6	22,167.9
Interest Rate Swaps	-	-	420.3	47.6	1.6	-	15.7	10.3	495.5
Foreign Exchange	-	-	0.1	-	-	-	-	0.8	0.9
Total	250.7	197.0	1,577.4	337.3	597.5	325.0	104.7	19,274.7	22,664.3

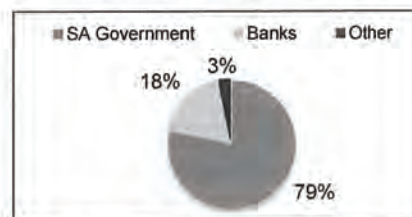
* NR - not classified under particular ratings. Includes loans to SA Government of \$20,478 million (2015-16: \$19,264 million).

2016-17 Credit Risk: Country



2015-16 (Aust 96% Non Aus 4%)

2016-17 Credit Risk: Counterparty



2015-16 (SAG 84% Bank 13% Other 3%)

Note 28 Financial Risk Management (continued)

(ii) Offsetting Financial Assets and Financial Liabilities

Financial assets and liabilities subject to offsetting and/or master netting agreements:

SAFA enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. Derivative asset and liability positions are accounted for at the transaction level, and are not offset at the counterparty level in the Statement of Financial Position. SAFA does not currently have a legally enforceable right to offset these positions in the usual course of business; the right to offset is enforceable only on the occurrence of future credit events, such as default. Furthermore, SAFA does not intend to settle these transactions on a net basis. In April 2016 SAFA entered into collateral agreements with the major Australian Banks.

The analysis presented below sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

2017	Gross Amounts of Financial Assets and Liabilities	Gross amounts offset in the Statement of Financial Position	Net amounts presented in the Statement of Financial Position	Related amounts not offset		Net
				Subject to master netting or other agreements	Financial collateral (incl. cash collateral)	
	\$m	\$m	\$m	\$m	\$m	\$m
Assets						
Interest Rate Swaps	125.4	0.0	125.4	(25.8)	(49.2)	50.4
Total	125.4	0.0	125.4	(25.8)	(49.2)	50.4
Liabilities						
Interest Rate Swaps	(51.6)	0.0	(51.6)	25.8	29.7	3.9
Total	(51.6)	0.0	(51.6)	25.8	29.7	3.9

2016	Gross Amounts of Financial Assets and Liabilities	Gross amounts offset in the Statement of Financial Position	Net amounts presented in the Statement of Financial Position	Related amounts not offset		Net
				Subject to master netting or other agreements	Financial collateral (incl. cash collateral)	
	\$m	\$m	\$m	\$m	\$m	\$m
Assets						
Interest Rate Swaps	188.2	0.0	188.2	(26.8)	(98.4)	70.0
Foreign Currency Swaps	66.7	0.0	66.7	0.0	0.0	66.7
Total	254.9	0.0	254.9	(26.8)	(98.4)	136.7
Liabilities						
Interest Rate Swaps	(49.3)	0.0	(49.3)	26.8	28.9	(0.6)
Foreign Currency Swaps	(66.4)	0.0	(66.4)	0.0	0.0	(66.4)
Total	(115.7)	0.0	(115.7)	26.8	28.9	(67.0)

Note 28 Financial Risk Management (continued)

Reconciliation to the Statement of Financial Position

The 'Net amounts presented in the Statement of Financial Position', as set out above, are reflected in the Statement of Financial Position as such (refer Note 10 and 15).

(iii) Ageing Analysis

As at 30 June 2017 the amount of Receivables including Impaired Assets that were past due was \$849,109 (2015-16: \$1,016,248).

Past due but not impaired receivables are South Australian Government debts considered recoverable regardless of their age. Impaired receivables are long outstanding debts with non South Australian Government entities where funds are deemed irrecoverable.

	Past due by				Total
	1 - 30 days	31 - 60 days	61 - 90 days	+90 days	
	\$m	\$m	\$m	\$m	\$m
2017					
Past due but not impaired					
Receivables	0.6	0.0	0.1	0.0	0.7
Impaired					
Receivables	0.0	0.0	0.0	0.1	0.1
	0.6	0.0	0.1	0.1	0.8

	Past due by				Total
	1 - 30 days	31 - 60 days	61 - 90 days	+90 days	
	\$m	\$m	\$m	\$m	\$m
2016					
Past due but not impaired					
Receivables	0.8	0.1	0.0	0.0	0.9
Impaired					
Receivables	0.0	0.0	0.0	0.1	0.1
	0.8	0.1	0.0	0.1	1.0

Note 28 Financial Risk Management (continued)

(b) Liquidity Risk

In order to manage liquidity risk, SAFA has in place liquidity management guidelines, which require SAFA to hold a base level of liquidity comprising highly marketable liquid financial assets. Liquid assets include cash, promissory notes, Commonwealth bonds, floating rate notes and negotiable certificates of deposit. The level of liquid financial asset holdings by SAFA on any given day must be sufficient to cover the higher of a base liquidity buffer of \$1,500 million or the sum of debt maturities in the next 60 days on a rolling days basis. Adherence to these guidelines enables SAFA to be in a position to meet the forecasted cash demands and any unanticipated funding requirements of the South Australian public sector.

SAFA has chosen an approach to minimise medium-term refinancing risks, which involves diversification of physical borrowings across the maturity spectrum, diversification of funding sources and the holding of liquid assets to assist in the management of refinancing and liquidity risk. These strategies result in SAFA facing manageable funding demands from financial markets in any given period. This approach assists the maintenance of an orderly market place for SAFA's securities when refinancing maturing debt obligations.

The liquidity analysis below has been presented on a contractual basis, representing the repayment of undiscounted principal and interest amounts for financial assets and liabilities, and the estimated discounted settlement amount for outstanding claims.

2017	< 3 Months \$m	3 to 12 Months \$m	1 to 2 Years \$m	2 to 3 Years \$m	3 to 4 Years \$m	4 to 5 Years \$m	Over 5 Years \$m	Total \$m
Assets								
Cash and Short Term Assets	1,261.0	140.0	350.0	-	-	-	-	1,751.0
Investments	2,092.4	379.8	1,533.4	169.5	365.1	12.5	258.4	4,811.1
Loans	6,602.1	316.3	1,702.3	2,755.2	1,937.1	164.6	8,989.9	22,467.5
Receivables and Other Assets	36.6	-	-	-	-	-	-	36.6
Total	9,992.1	836.1	3,585.7	2,924.7	2,302.2	177.1	9,248.3	29,066.2
Liabilities								
Deposits and Short Term	(8,034.6)	(650.0)	-	-	-	-	-	(8,684.6)
Bonds, Notes and Debentures	(2,174.7)	(406.7)	(2,512.5)	(4,437.8)	(2,432.5)	(207.4)	(7,908.2)	(20,079.8)
Outstanding Claims	(12.0)	(36.1)	(42.4)	(38.4)	(34.8)	(31.5)	(187.6)	(382.9)
Payables and Other Liabilities	(25.3)	-	-	-	-	-	-	(25.3)
Total	(10,246.6)	(1,092.8)	(2,554.9)	(4,476.2)	(2,467.3)	(238.9)	(8,095.8)	(29,172.6)
Net	(254.5)	(256.7)	1,030.8	(1,551.5)	(165.1)	(61.8)	1,152.5	(106.4)
Net Derivatives	17.9	15.8	3.8	7.4	7.8	(9.2)	29.6	73.1

Note 28 Financial Risk Management (continued)

2016	< 3 Months \$m	3 to 12 Months \$m	1 to 2 Years \$m	2 to 3 Years \$m	3 to 4 Years \$m	4 to 5 Years \$m	Over 5 Years \$m	Total \$m
Assets								
Cash and Short Term Assets	1,493.4	424.0	-	-	-	-	-	1,917.4
Investments	672.8	188.1	202.0	244.9	216.1	248.3	38.7	1,810.9
Loans	5,577.9	464.8	1,895.8	1,677.3	2,684.9	1,218.5	7,741.7	21,260.9
Receivables and Other Assets	43.9	-	-	-	-	-	-	43.9
Total	7,788.0	1,076.9	2,097.8	1,922.2	2,901.0	1,466.8	7,780.4	25,033.1
Liabilities								
Deposits and Short Term Borrowings	(6,755.8)	(1,302.3)	-	-	-	-	-	(8,058.1)
Bonds, Notes and Debentures	(148.8)	(415.7)	(2,905.9)	(2,418.7)	(4,345.6)	(2,308.1)	(3,909.0)	(16,451.8)
Outstanding Claims	(10.7)	(32.4)	(38.1)	(36.2)	(34.2)	(31.7)	(191.7)	(375.0)
Payables and Other Liabilities	(28.7)	-	-	-	-	-	-	(28.7)
Total	(6,944.0)	(1,750.4)	(2,944.0)	(2,454.9)	(4,379.8)	(2,339.8)	(4,100.7)	(24,913.6)
Net	844.0	(673.5)	(846.2)	(532.7)	(1,478.8)	(873.0)	3,679.7	119.5
Net Derivatives	19.3	23.2	28.6	19.3	22.1	26.7	5.6	144.8

(c) Market risk

Market risk is the risk that changes in market prices will result in gains or losses on SAFA's financial instruments. SAFA has a range of policies in place to manage market risk, including counterparty exposure limits, risk limits and liquidity and maturity limits. The main tool used to measure and assess market risks within each of SAFA's trading portfolios is Value at Risk (VaR).

(i) Price Risk

Treasury Operations

SAFA manages the sensitivity of its treasury portfolios for changes in market risk variables by calculating VaR daily and monitoring the calculated VaR against pre-determined exposure limits. VaR is the calculation of the potential loss due to interest rate movements for any one day.

SAFA calculates VaR using the Historical Simulation method and a two year interest rate horizon. The daily VaR is assessed at the 95% confidence level.

The following table shows the computed VaR on SAFA's principal portfolios:

	2017 Actual \$000	2017 Working Limit \$000	2016 Actual \$000	2016 Working Limit \$000
Funding Portfolio	355.8	500.0	559.9	1,000.0
Liquidity Portfolio	1,105.8	6,500.0	0.1	250.0
Reinvestment Portfolio	N/A	N/A	0.1	N/A
Cash Management Facility	N/A	N/A	14.0	N/A

SAFA's treasury portfolio that reflects SAFA's position with the Treasurer of South Australia is not reported above, as all risk in this portfolio is borne directly by the Treasurer. Transactions previously captured in Reinvestment and Cash Management Facility are now reported within the Liquidity Portfolio.

As SAFA's VaR model relies on historical data and assumes recent historic market conditions, it may not always accurately predict the size of potential losses. SAFA therefore uses other controls such as limits on exposures based on factor sensitivity measurements covering interest rate, yield curve and basis spread movement scenarios and monitors exposures to plausible extreme market movements through stress testing.

Note 28 Financial Risk Management (continued)

Insurance Operations

The insurance portfolio is exposed to price risk arising from investments held with Funds SA. SAFA maintains policies outlining the strategies for investment of funds and these policies are reviewed every three years.

The following table shows the impact of a positive or negative 10% movement in the value of investment funds held with Funds SA:

2017	Investments \$000	Profit (Post tax)		Equity	
		-10%	10%	-10%	10%
		\$000	\$000	\$000	\$000
Fund 1	537,145	(37,600)	37,600	(37,600)	37,600
Fund 2*	19,481	(1,364)	1,364	(1,364)	1,364
Fund 3*	21,236	(1,487)	1,487	(1,487)	1,487
Total	577,862	(40,451)	40,451	(40,451)	40,451

2016	Investments \$000	Profit (Post tax)		Equity	
		-10%	10%	-10%	10%
		\$000	\$000	\$000	\$000
Fund 1	495,216	(34,665)	34,665	(34,665)	34,665
Fund 2*	27,944	(1,956)	1,956	(1,956)	1,956
Fund 3*	15,996	(1,120)	1,120	(1,120)	1,120
Total	539,156	(37,741)	37,741	(37,741)	37,741

* Due to the nature of activities undertaken by Fund 2 and Fund 3, the Treasurer has approved that any operating profit or loss before tax will be nil for each of these funds. Therefore, any movement in the value of investments with Funds SA for Fund 2 or Fund 3 would effectively be offset by the Treasurer's Indemnity (Refer Note 21).

(ii) Interest Rate Risk

SAFA uses a variety of methods to measure interest rate risk, including basis point sensitivity, duration and VaR. The Treasurer and Under Treasurer approve interest rate risk limits for SAFA's portfolios.

SAFA uses interest rate derivatives to manage the sensitivity of investment portfolios to interest rate fluctuations to be within strict limits, without requiring transactions in physical securities. SAFA utilises futures contracts, interest rate swaps and forward rate agreements to manage interest rate risk.

The following table shows the computed Price Value per basis point (PV01) of SAFA's principal portfolios, reflecting changes in portfolio value relative to interest rate movements:

	2017	2017	2016	2016
	Actual	Working Limit	Actual	Working Limit
	\$	\$	\$	\$
Funding Portfolio	1,104	± 5,000	(584)	± 10,000
Liquidity Portfolio	(440)	± 10,000	(165)	± 10,000
Reinvestment Portfolio	N/A	N/A	109	N/A
Cash Management Facility	N/A	N/A	9,558	N/A

SAFA's treasury portfolio that reflects SAFA's position with the Treasurer of South Australia is not reported above, as all risk in this portfolio is borne directly by the Treasurer.

Note 28 Financial Risk Management (continued)

(iii) Foreign Currency Risk

SAFA has a policy of limiting its foreign currency risk, and has limits in place to protect against movements in foreign currency exchange rates. SAFA utilises foreign exchange swaps, foreign exchange and forward exchange contracts to manage the foreign currency exposures associated with foreign currency borrowings.

The following table summarises SAFA's exposure to exchange rate risk. The value to be received under the currency contracts is undertaken to net any foreign currency liabilities:

	USD A\$000	EUR A\$000	NZD A\$000
2017			
Less than 1 year			
Net Foreign Currency Assets/(Liab)	26.2	(2.0)	10.9
Net Derivatives	-	-	-
Total Exposure	26.2	(2.0)	10.9
Sensitivity			
Profit impact (in AUD) of +1% change in foreign currency	0.3	(0.0)	0.1
2016			
Less than 1 year			
Net Foreign Currency Assets/(Liab)	(66,967.7)	5.8	8.4
Net Derivatives	66,998.5	-	-
Total Exposure	30.8	5.8	8.4
Sensitivity			
Profit impact (in AUD) of +1% change in foreign currency	0.3	0.1	0.1

SAFA's total exposure to exchange rate risk (on a net basis) is \$17,358 for the year ended 30 June 2017 (2015-16: \$44,876). Had the Australian Dollar weakened by 10 per cent against the foreign currencies listed above, the direct impact to SAFA would be a loss of approximately \$1,736 (2015-16: gain \$4,488).

(d) Insurance Risk

SAFA uses a range of policies to manage risk associated with its insurance activities. The most relevant methods include:

- the continual monitoring of the experience and development of claims;
- premium setting methodologies that reflect the latest development in the risks SAFA's Insurance division is insuring;
- placing reinsurance to protect the capital base against a severe adverse event or a series of severe adverse events; and
- regular review of the investment strategy for assets backing insurance liabilities.

Note 28 Financial Risk Management (continued)

(i) Claim Development

The following tables show the development of incurred cost on net undiscounted outstanding claims (Medical Malpractice, Liability, Property and Builders Indemnity) relative to the ultimate expected estimate over the ten most recent financial years. Figures provided are net of reinsurance and relate to Fund 1 and Fund 3. This information is not disclosed for Fund 2 as it is not considered appropriate for its activities.

Medical Malpractice

Loss Year Ending	Cumulative Payments Plus Undiscounted Outstanding Liability Measurement as at 30 June										Undiscounted		Discount
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Paid to Date	Liability Jun-17	Present Value
30-Jun	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Prior	246,093	153,806	125,501	128,220	127,733	127,496	136,251	150,000	148,981	144,638	100,366	44,272	39,687
2008	22,947	20,345	13,923	11,993	16,582	14,848	13,648	13,936	13,474	10,537	939	9,598	8,298
2009		49,922	36,167	29,248	27,700	31,564	23,206	26,348	30,193	28,099	1,138	26,960	23,109
2010			24,134	15,725	13,002	11,367	8,197	15,197	14,273	16,940	4,030	12,910	10,959
2011				17,486	15,471	15,742	14,662	13,242	13,819	20,558	5,697	14,862	12,469
2012					18,749	17,802	13,584	17,235	15,702	14,411	75	14,336	11,857
2013						21,967	17,274	15,654	14,082	14,901	29	14,872	12,099
2014							21,702	22,124	20,434	18,715	9	18,705	14,925
2015								20,569	27,417	25,704	10	25,694	20,049
2016									24,613	26,061	14	26,047	19,820
2017										28,856	28	28,827	21,360
Total										349,420	112,336	237,084	194,631

Liability

Loss Year Ending	Cumulative Payments Plus Undiscounted Outstanding Liability Measurement as at 30 June										Undiscounted		Discount
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Paid to Date	Liability Jun-17	Present Value
30-Jun	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Prior	67,028	80,219	83,717	90,533	91,731	91,741	84,356	85,466	85,910	88,698	83,628	5,070	4,770
2008	6,359	3,610	2,137	2,114	1,936	2,907	7,741	7,857	6,869	6,720	6,517	203	188
2009		5,784	2,766	7,445	5,644	4,907	5,000	5,671	5,760	5,775	4,662	1,112	1,036
2010			6,705	4,365	3,663	11,386	10,904	11,640	15,170	15,232	13,517	1,716	1,598
2011				7,173	5,982	5,158	5,266	7,309	8,300	9,440	5,333	4,107	3,886
2012					8,038	6,749	5,621	5,297	7,088	8,127	2,993	5,134	4,754
2013						6,683	5,455	4,336	3,855	3,246	699	2,547	2,352
2014							6,478	6,128	5,425	5,322	927	4,395	4,032
2015								7,540	6,516	6,266	484	5,782	5,244
2016									8,584	8,201	300	7,902	7,046
2017										6,080	47	6,033	5,280
Total										163,107	119,106	44,001	40,188

Property

Loss Year Ending	Cumulative Payments Plus Undiscounted Outstanding Liability Measurement as at 30 June										Undiscounted		Discount
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Paid to Date	Liability Jun-17	Present Value
30-Jun	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Prior	22,355	21,860	22,565	21,675	19,681	19,519	19,519	19,655	18,851	19,609	19,609	0	0
2008	2,347	2,265	2,390	1,762	1,555	1,543	1,540	1,547	1,547	1,547	1,547	0	0
2009		2,777	2,116	1,599	1,689	1,666	1,672	1,665	1,665	1,665	1,665	0	0
2010			3,255	1,779	1,543	1,479	1,577	1,577	1,622	1,618	1,613	6	5
2011				4,568	3,270	3,060	2,940	2,893	2,894	2,887	2,883	4	4
2012					2,683	2,046	2,314	2,680	2,539	2,502	2,489	13	12
2013						1,996	1,989	2,185	2,216	2,253	1,131	1,122	1,073
2014							3,223	3,399	3,512	3,395	3,348	47	44
2015								3,978	4,500	3,232	2,929	302	287
2016									3,081	3,822	2,615	1,207	1,150
2017										14,833	777	14,056	13,451
Total										57,363	40,606	16,757	16,026

Note 28 Financial Risk Management (continued)

(i) Claim Development (continued)

Building Indemnity

Loss Year	Cumulative Payments Plus Undiscounted Outstanding Liability Measurement as at 30 June				Undiscounted Unearned Earned Discount Paid to Liability Liabilities Liabilities Present Date Jun-17 Jun-17 Jun-17 Value				
Ending 30-Jun	2014 \$000	2015 \$000	2016 \$000	2017 \$000	Date \$000	Jun-17 \$000	Jun-17 \$000	Jun-17 \$000	Present Value \$000
2014	6,755	7,824	7,132	5,655	2,429	3,226	(765)	2,461	2,362
2015		6,504	7,121	7,218	2,241	4,977	(2,137)	2,840	2,703
2016			7,241	10,523	2,055	8,468	(6,212)	2,257	2,126
2017				8,450	360	8,090	(7,409)	681	632
Total	31,846	7,085	24,762	(16,522)	8,239	7,823			

(ii) Unexpired Risk Liability

The LAT (Note 2 (r)) was completed by the independent actuary for Building Indemnity Insurance offered by SAFA. The actuary has compared the unearned premium and the expected cost of claims arising from this premium, including associated expenses and a risk margin. The result of the LAT was a \$1.8 million premium deficiency which has been written off against deferred acquisition costs.

(a) Calculation of Premium Deficiencies

2017	\$000
Net unearned premium liability	18,558
Net present value of future policy costs	16,703
Gross deferred acquisition costs recognised	6,031
Gross premium (deficiency)	(4,176)
Gross premium deficiency	(4,176)
Gross deferred acquisition costs written down	4,176
Net premium deficiency	-
Gross deferred acquisition costs recognised in Balance Sheet (i)	1,855
2016	\$000
Net unearned premium liability	15,105
Net present value of future policy costs	12,328
Gross deferred acquisition costs recognised	2,936
Gross premium (deficiency)	(159)
Gross premium deficiency	(159)
Gross deferred acquisition costs written down	159
Net premium deficiency	-
Gross deferred acquisition costs recognised in Balance Sheet (i)	2,777

(i) The increase in deferred acquisition costs recognised in the Statement of Comprehensive Income during the financial year amount to \$4.271 million (2015-16 \$1.793 million).

(b) Reconciliation of Premium Liabilities, Reinsurance Assets and related Deferred Acquisition Costs

	Gross \$000	Reinsurance \$000	Acquisition cost \$000	Net \$000
Unearned premium liability/(asset) at 30 June 2015	11,522.2	(2,728.2)	(1,771.6)	7,022.4
Premium written	79,311.2	(8,229.8)	(2,798.9)	68,282.5
Premium (earned)/incurred	(45,580.3)	8,434.5	1,793.3	(35,352.5)
Unearned premium liability/(asset) at 30 June 2016	45,253.1	(2,523.5)	(2,777.2)	39,952.4
Premium written	22,618.6	(7,579.0)	(3,350.1)	11,689.5
Premium (earned)/incurred	(49,312.9)	7,732.2	4,271.5	(37,309.2)
Unearned premium liability/(asset) at 30 June 2017	18,558.8	(2,370.3)	(1,855.8)	14,332.7

Note 28 Financial Risk Management (continued)

(iii) Concentration Risk

While investments in the Insurance portfolio contain some diversity, by its nature it is geographically concentrated in Adelaide and as such is exposed to the risk of potentially material property catastrophes of the State, being earthquake, bushfires, storms, floods and cyber attack. The reinsurance program is purchased to provide protection in excess of the retention level, which is \$15 million for property, \$0.5 million for cyber risk, \$15 million for medical malpractice per event and \$20 million for liability classes. The Advisory Board annually reviews the appropriateness of the retention level.

SAFA provides the medical indemnity insurance for all public hospitals in South Australia and as such is exposed to the consequences of any factor which increases the cost of such cover for example, legal precedents.

(iv) Sensitivity Analysis

SAFA has tested the sensitivity of the results to a change in the key assumptions used in the valuation of outstanding claims liabilities. These include changes to the discount and superimposed inflation rates and changes in expected average claim costs and incurred cost development patterns. The following table sets out the tests carried out and the results:

2017 Insurance Fund	Present Value of Outstanding Liability			Change in Liability		
	Fund 1 \$m	Fund 2 \$m	Fund 3 \$m	Fund 1 %	Fund 2 %	Fund 3 %
1. Discount Rate						
(a) Increase by 1%	334.2	16.8	10.4	(5.8)	(2.9)	(2.7)
(b) Decrease by 1%	377.9	17.9	11.0	6.5	3.1	2.9
2. Inflation/Superimposed Inflation Rate						
(a) Increase by 1%	377.5	17.9	10.7	6.4	3.0	0.0
(b) Decrease by 1%	334.1	16.8	10.7	(5.9)	(2.9)	0.0
3. Other Assumptions						
(a) Increase Medical Malpractice and Liability expected 'a prior' cost by 10%	373.9	17.3	10.7	5.4	0.0	0.0
(b) Longer Medical Malpractice and Liability tail	367.1	18.4	10.7	3.5	6.0	0.0
(c) Increase Building Indemnity expected 'a prior' cost by 5%	354.9	17.3	11.2	0.0	0.0	4.8

Note 29 Fair Values of Assets and Liabilities

(a) Contractual Obligations and Financial Assets and Liabilities at Fair Value

The difference between financial assets and liabilities carrying amount (fair value) and the amount contractually required to be paid at maturity is detailed below.

	2017			2016		
	Carrying Amount \$m	Principal Outstanding \$m	Diff \$m	Carrying Amount \$m	Principal Outstanding \$m	Diff \$m
Investments	4,675.3	4,387.4	287.9	1,736.3	1,558.6	177.7
Loans	20,665.3	20,241.6	423.7	19,857.6	19,062.8	794.8
Deposits and Short Term Borrowings	8,680.9	8,658.9	22.0	8,048.9	7,983.0	65.9
Bonds, Notes and Debentures	17,913.0	17,405.2	507.8	15,068.9	14,061.8	1,007.1

Notes:

(1) Fair value is inclusive of interest due at financial year-end.

(2) Principal outstanding at maturity is the amount SAFA is contractually required to pay at maturity, to the holder of the obligation, exclusive of interest due.

(3) Bonds, Notes and Debentures – includes indexed linked securities. For the purposes of this note, the principal owing for indexed linked securities is assumed to equal the principal owing at financial year-end.

Note 29 Fair Values of Assets and Liabilities (continued)

This section explains the judgements and estimates made in determining the fair values of the assets and liabilities that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, SAFA has classified its assets and liabilities into the three levels prescribed under Australian Accounting Standards. An explanation of each level follows below.

(b) Financial Assets and Liabilities

(i) Fair Value Hierarchy

2017	Note	Quoted market price (Level 1) \$m	Market observable inputs (Level 2) \$m	Non-market observable inputs (Level 3) \$m	Total \$m
Financial Assets					
Cash and Short Term Assets	4	426.9	1,339.2	-	1,766.1
Investments	6	614.1	4,061.2	-	4,675.3
Loans	7	6,121.4	9,629.1	4,914.8	20,665.3
Derivatives Receivable	10	-	125.4	-	125.4
Total		7,162.4	15,154.9	4,914.8	27,232.1
Financial Liabilities					
Deposits and Short Term Borrowings	12	(6,703.2)	(1,977.7)	-	(8,680.9)
Bonds, Notes and Debentures	13	(17,532.2)	(100.0)	(280.8)	(17,913.0)
Derivatives Payable	15	-	(51.6)	-	(51.6)
Total		(24,235.4)	(2,129.3)	(280.8)	(26,645.5)

2016	Note	Quoted market price (Level 1) \$m	Market observable inputs (Level 2) \$m	Non-market observable inputs (Level 3) \$m	Total \$m
Financial Assets					
Cash and Short Term Assets	4	588.7	1,339.2	-	1,927.9
Investments	6	283.1	1,453.2	-	1,736.3
Loans	7	5,101.3	9,343.1	5,413.2	19,857.6
Derivatives Receivable	10	-	254.9	-	254.9
Total		5,973.1	12,390.4	5,413.2	23,776.7
Financial Liabilities					
Deposits and Short Term Borrowings	12	(5,714.2)	(2,334.7)	-	(8,048.9)
Bonds, Notes and Debentures	13	(14,666.1)	(94.4)	(308.4)	(15,068.9)
Derivatives Payable	15	-	(115.7)	-	(115.7)
Total		(20,380.3)	(2,544.8)	(308.4)	(23,233.5)

Note 29 Fair Values of Assets and Liabilities (continued)

SAFA generally recognises transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period, unless specified otherwise.

Financial Assets and Liabilities are categorised in levels of the fair value hierarchy based on the following:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities that are accessible at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1, which are observable for assets or liabilities, either directly or indirectly.
- Level 3: Inputs to asset or liability valuation that are not based on observable market data (unobservable inputs). This category includes instruments that are valued using quoted prices, but where material adjustments are required as a result of relevant unobservable inputs or assumptions.

(ii) Valuation Techniques Used to Determine Fair Values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date; and
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in Level 2. All valuation methods remain unchanged compared to the previous reporting period.

(iii) Level 3 Financial Instruments Reconciliation

The following table presents the changes in Level 3 items for the periods 30 June 2017 and 30 June 2016:

2017	<u>Assets</u>	<u>Liabilities</u>	Total \$m
	Loans \$m	Bonds, Notes and Debentures \$m	
Balance at 30 June 2016	5,413.2	(308.4)	5,104.8
Total gain/(loss) included:			
in Profit or Loss	44.5	9.7	54.2
Purchases	15.0	-	15.0
Sales	(557.9)	-	(557.9)
Issues	-	(15.0)	(15.0)
Settlements	-	32.9	32.9
Balance at 30 June 2017	4,914.8	(280.8)	4,634.0

Total gains or losses in the above table are presented within the Statement of Comprehensive Income as follows:

Interest Revenue	141.9	(11.7)	130.2
Net Gain/(Loss) on Financial Instruments and Derivatives - Unrealised	(179.4)	21.6	(157.8)
Net Gain/(Loss) on Financial Instruments and Derivatives - Realised	82.0	-	82.0
Total	44.5	9.9	54.4

Note 29 Fair Values of Assets and Liabilities (continued)

2016	Assets	Liabilities	
	Loans \$m	Bonds, Notes and Debentures \$m	Total \$m
Balance at 30 June 2015	5,902.0	(508.9)	5,393.1
Total gain/(loss) included:			
in Profit or Loss	288.0	(33.5)	254.5
Purchases	20.0	-	20.0
Sales	(796.8)	-	(796.8)
Issues	-	(20.0)	(20.0)
Settlements	-	254.0	254.0
Balance at 30 June 2016	5,413.2	(308.4)	5,104.8

Total gains or losses in the above table are presented in the Statement of Comprehensive Income as follows:

Interest Revenue	177.0	(15.1)	161.9
Net Gain/(Loss) on Financial Instruments and Derivatives - Unrealised	109.7	(18.4)	91.3
Net Gain/(Loss) on Financial Instruments and Derivatives - Realised	1.3	0.0	1.3
Total	288.0	(33.5)	254.5

(iv) Level 3 Financial Instruments: Unobservable inputs used in measuring fair value

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurement:

Type of Financial Instrument	Fair value at 30 June 2017 \$m	Valuation Technique	Significant Unobservable Input	Estimate of Unobservable Input	Fair value measurement sensitivity to unobservable inputs
Loans:					
Loan to Treasurer Cost of Funds	4,894.6	Reflects the market value of borrowings used to fund the loan	Discount rates/market yields	N/A	Market value change is directly proportional to the market value change of instruments used to fund the loan.
Loan to Treasurer Non-Market	20.2	Loan with no applicable interest rate or discount rate	Discount rates/market yields	0% IRR	Instrument value will not change with respect to market/discount rates.

Note 29 Fair Values of Assets and Liabilities (continued)

(iv) Level 3 Financial Instruments: Unobservable Inputs Used in Measuring Fair Value (continued)

Type of Financial Instrument	Fair value at 30 June 2017 (\$m)	Valuation Technique	Significant Unobservable Input	Estimate of Unobservable Input	Fair value measurement sensitivity to unobservable inputs
Bond, Notes and Debentures:					
Principal and Interest Borrowing	(237.6)	Discounted Cash Flow	Discount rates/market yields	1.70% - 3.10% IRR	Discount rate based on internally- constructed yield curve. A 1 basis point shift in rates results in a \$223,104 change in market value.
Obligation to the Commonwealth Government	(20.2)	Borrowing with no applicable interest rate or discount rate.	Discount rates/market yields	0% IRR	Instrument value will not change with respect to market/discount rates.
Bond	(20.9)	Discounted Cash Flow	Discount rates/market yields	2.24% IRR	Discount rate based on internally- constructed yield curve. A 1 basis point shift in rates results in a \$6,452 change in market value.
Retail Indexed Annuity	(2.1)	Discounted Cash Flow	Real discount rates (annuity rates)	1.25%	Market rates are observed for annuity instruments. A 1 basis point shift in real rates results in a \$246 change in market value.

(v) Valuation Processes

Level 3 fair values valuation processes are consistent with all other valuation processes and are reviewed as part of SAFA's valuation techniques review.

SAFA considers that its estimates of fair value are appropriate, and while alternative assumptions in relation to unobservable inputs could be used when determining fair value, these alternative assumptions would not result in any significant changes to measured fair values.

Note 29 Fair Values of Assets and Liabilities (continued)

(c) Non-Financial Assets and Liabilities

(i) Fair Value Hierarchy

2017	Note	Quoted market price (Level 1) \$m	Market observable inputs (Level 2) \$m	Non-market observable inputs (Level 3) \$m	Total \$m
Assets					
Assets Held For Sale	5	-	3.4	-	3.4
Property, Plant and Equipment	8	-	162.5	-	162.5
Total		-	165.9	-	165.9

2016	Note	Quoted market price (Level 1) \$m	Market observable inputs (Level 2) \$m	Non-market observable inputs (Level 3) \$m	Total \$m
Assets					
Assets Held For Sale	5	-	2.9	-	2.9
Property, Plant and Equipment	8	-	169.4	-	169.4
Total		-	172.3	-	172.3

Non-financial assets are valued at cost less accumulated depreciation which is deemed to represent approximate fair value. Valuation techniques used to derive residual value of non-financial assets include:

- the use of quoted market prices or dealer quotes for similar assets;
- the use of RedBook and Glass's valuations for similar motor vehicle assets; and
- the cost less accumulated depreciation over the useful life to a residual value.

SAFA undertook a fair value exercise at the end of the 2016-17 financial year to ensure there were no major differences between the stated residual value and the expected sales value of the fleet for vehicles scheduled to be sold in the 2017-18 year.

All of the resulting fair value estimates are included in Level 2.

All valuation methods remain unchanged compared to the previous reporting period.

Note 30 Actuarial Assumptions and Methods

SAFA writes four broad classes of general insurance: Property, Liability, Medical Malpractice and Other Liability. Products included in these broad classes are detailed below:

Property (Short Tail)	Liability (Long Tail)	Medical Malpractice	Other (Long Tail)
Aviation Property	Aviation Liability	Medical Malpractice	Building Indemnity
Buildings and Contents	General Liability		Volunteers
Consequential Loss	Marine Liability		
Cyber	Professional Indemnity		
Fidelity Guarantee	Personal Accident		
General Property			
Machinery Breakdown			
Marine Property			
Motor Vehicle			

Total Outstanding Claims

	Central Estimate	Risk Margin	Indirect Claims Settlement Margin	Total
	\$m	\$m	\$m	\$m
2017				
Expected Future Claims Payments (Inflated/Undiscounted)	320.8	114.8	16.3	451.9
Discount to Present Value	(49.0)	(17.5)	(2.5)	(69.0)
Total Outstanding Claims	271.8	97.3	13.8	382.9

	Central Estimate	Risk Margin	Indirect Claims Settlement Margin	Total
	\$m	\$m	\$m	\$m
2016				
Expected Future Claims Payments (Inflated/Undiscounted)	302.4	109.8	15.3	427.5
Discount to Present Value	(37.1)	(13.5)	(1.9)	(52.5)
Total Outstanding Claims	265.3	96.3	13.4	375.0

Assumptions

SAFA used the following assumptions in the measurement of its outstanding claims.

2017	Property	Liability	Medical Malpractice	Building Indemnity
Average weighted term to settlement - Fund 1	2.19	4.12	7.75	-
Average weighted term to settlement - Fund 2	1.00	3.86	2.19	-
Average weighted term to settlement - Fund 3	-	-	-	2.99
Percentage risk margin adopted - Fund 1	21.0%	32.0%	37.0%	-
Percentage risk margin adopted - Fund 2	18.8%	23.0%	25.0%	-
Percentage risk margin adopted - Fund 3	-	-	-	26.1%
Claims handling expense	5.0%	5.0%	5.0%	8.0%
Inflation rate (includes superimposed inflation)*	-	3.0%	3.0%	-
Discount rate - Fund 1	2.1%	2.3%	2.7%	-
Discount rate - Fund 2	2.0%	2.3%	2.1%	-
Discount rate - Fund 3	-	-	-	2.1%

Note 30 Actuarial Assumptions and Methods (continued)

2016	Property	Liability	Medical Malpractice	Building Indemnity
Average weighted term to settlement - Fund 1	2.37	4.27	7.56	-
Average weighted term to settlement - Fund 2	0.52	3.86	2.25	-
Average weighted term to settlement - Fund 3	-	-	-	3.15
Percentage risk margin adopted - Fund 1	21.0%	32.0%	37.0%	-
Percentage risk margin adopted - Fund 2	18.8%	23.0%	25.0%	-
Percentage risk margin adopted - Fund 3	-	-	-	26.1%
Claims handling expense	5.0%	5.0%	5.0%	8.0%
Inflation rate (includes superimposed inflation)*	-	3.0%	3.0%	-
Discount rate - Fund 1	1.7%	1.8%	2.1%	-
Discount rate - Fund 2	1.6%	1.9%	1.7%	-
Discount rate - Fund 3	-	-	-	1.7%

* The valuation methods adopted do not have an explicit inflation assumption, although allowance is made for superimposed inflation (3%) for both Medical Malpractice and Long Tail Classes.

The overall risk margin is determined allowing for the uncertainty of the outstanding claims estimate. Uncertainty is analysed taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, the general insurance environment, and the impact of legislative reform.

AASB1023 *General Insurance Contracts* does not prescribe a fixed risk margin or probability of sufficiency. However, it is a requirement of the Australian Prudential Regulation Authority guidelines for private sector insurers that a minimum of 75% probability of sufficiency be satisfied through the application of the risk margin. Taking into account the nature of the risks underwritten by SAFA and distributions regarded as relevant by the industry for those risks, the application of the above risk margins by class result in a 75% probability that the provision for outstanding claims will be sufficient.

Note 31 Events After the End of the Reporting Period

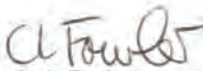
On 1 July 2017 SAFA entered into an agreement for the establishment of a \$50 million Venture Capital Fund with the objective of assisting early-stage South Australian companies of attracting private sources of co-investment from national and international investors. The operations of the Fund are unlikely to materially affect the operations or the state of affairs of SAFA.

Certification of the Financial Statements

We certify that the attached General Purpose Financial Statements for SAFA:

- are in accordance with the accounts and records of SAFA; and
- 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 SAFA 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 SAFA for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period and there are reasonable grounds to believe the authority will be able to pay its debts as and when they become due and payable.



Craig Fowler
DIRECTOR FINANCE, SAFA



Andrew Blaskett
GENERAL MANAGER, SAFA



Stuart Hocking
ACTING CHIEF EXECUTIVE
ACTING UNDER TREASURER

Date: 15.09.2017



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To the Under Treasurer South Australian Government Financing Authority

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 25(2) of the *Government Financing Authority Act 1982*, I have audited the financial report of the South Australian Government Financing Authority 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 South Australian Government Financing Authority 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 Financial Position as at 30 June 2017
- a Statement of Comprehensive Income for the year ended 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 to the financial statements, comprising significant accounting policies and other explanatory information
- a Certificate from the acting Under Treasurer, the General Manager (SAFA) and the Director, Finance (SAFA).

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 South Australian Government Financing Authority. 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 Under Treasurer for the financial report

The Under Treasurer 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 Under Treasurer 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.

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.

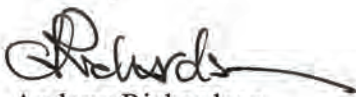
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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 Under Treasurer
- 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 General Manager 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

19 September 2017

South Australian Housing Trust

Financial report
for the year ended
30 June 2017

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
Expenses			
Staffing Costs	6	74 196	75 196
Supplies and Services	7	34 370	33 102
Business Service Fees	8	23 352	21 959
Rental Property Expenses	9	375 102	373 377
Depreciation and Amortisation	10	88 274	88 779
Grants and Subsidies	11	37 073	31 600
Impairment Expenses	12	29 707	22 548
Total Expenses		662 074	646 561
Income			
Rental Income	14	278 510	280 078
Interest Revenue	15	6 679	7 888
Recoveries	16	38 193	35 368
Recurrent Commonwealth Revenues	17	74 485	73 582
Other Revenue	18	6 569	6 728
Net Gain from Disposal of Assets	13	3 459	7 592
Gain on revaluation of non-current assets		162	87
Total Income		408 057	411 323
Net Cost of Providing Services		254 017	235 238
Revenues from SA Government			
Recurrent Revenues from SA Government	19	86 318	76 735
Capital Revenues from SA Government	20	1 311	4 440
Total Revenues from SA Government		87 629	81 175
Net Result Before Income Tax Equivalent		(166 388)	(154 063)
Income Tax Equivalent		-	-
Net Result After Income Tax Equivalent		(166 388)	(154 063)
Other Comprehensive Income			
<i>Items that will not be reclassified to net result</i>			
Changes in asset revaluation surplus		126 683	269 391
Total Comprehensive Result		(39 705)	115 328

The Net Result and Comprehensive Result are attributable to the SA Government as owner.

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
Current Assets			
Cash and cash equivalents	21	205 354	397 198
Receivables	22	19 624	22 234
Inventories	23	149 900	92 416
Non-current assets classified as held for sale	24	15 374	17 365
Total Current Assets		390 252	529 213
Non-Current Assets			
Inventories	23	79	145
Property, Plant and Equipment	25	9 885 738	9 904 427
Intangible Assets	26	4 206	4 940
Total Non-Current Assets		9 890 023	9 909 512
Total Assets		10 280 275	10 438 725
Current Liabilities			
Payables	27	47 696	171 402
Staff Entitlements	28	9 786	10 880
Provisions	29	1 063	1 090
Other Liabilities	30	12 218	15 368
Total Current Liabilities		70 763	198 740
Non-Current Liabilities			
Payables	27	1 388	1 297
Staff Entitlements	28	15 103	14 051
Provisions	29	2 001	2 509
Other Liabilities	30	1 709	2 111
Total Non-Current Liabilities		20 201	19 968
Total Liabilities		90 964	218 708
Net Assets		10 189 311	10 220 017
Equity			
Retained Earnings		3 161 506	3 254 264
Asset Revaluation Surplus		6 934 458	6 881 953
Contributed Capital		93 347	83 800
Total Equity		10 189 311	10 220 017
The total equity is attributable to the SA Government as owner			
Unrecognised Contractual Commitments	31		
Contingent Assets and Liabilities	32		

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 No.	Contributed Capital \$'000	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total \$'000
Balance as at 30 June 2015		60 876	6 711 539	3 309 987	10 082 402
Net Result after income tax equivalent for 2015-16		-	-	(154 063)	(154 063)
Revaluation of property during 2015-16					
Movement in rental houses due to revaluation:					
- Transferred to Capital Works		-	(153)	-	(153)
- Subject to sales contracts		-	(2 920)	-	(2 920)
Increment in freehold land and buildings due to revaluation	40	-	272 464	-	272 464
Total Comprehensive Result for 2015-16		-	269 391	(154 063)	115 328
Transfer to retained earnings of increment realised on sale of freehold land and buildings		-	(98 977)	-	(98 977)
Realisation of asset revaluation surplus on sale of freehold land and buildings		-	-	98 977	98 977
Total transfer between equity components 2015-16		-	(98 977)	98 977	-
Equity contribution received	19	22 924	-	-	22 924
Assets transferred to Renewal SA as part of administrative restructure	33	-	-	(637)	(637)
Total transfer between SA Government as owner 2015-16		22 924	-	(637)	22 287
Balance as at 30 June 2016		83 800	6 881 953	3 254 264	10 220 017
Net Result after income tax equivalent for 2016-17		-	-	(166 388)	(166 388)
Revaluation of property during 2016-17					
Movement in rental houses due to revaluation:					
- Transferred to Capital Works		-	(6 949)	-	(6 949)
- Subject to sales contracts		-	(2 326)	-	(2 326)
Increment in freehold land and buildings due to revaluation	40	-	135 958	-	135 958
Total Comprehensive Result for 2016-17		-	126 683	(166 388)	(39 705)
Transfer to retained earnings of increment realised on sale of freehold land and buildings		-	(74 178)	-	(74 178)
Realisation of asset revaluation surplus on sale of freehold land and buildings		-	-	74 178	74 178
Total transfer between equity components 2016-17		-	(74 178)	74 178	-
Equity contribution received	19	9 547	-	-	9 547
Assets transferred to Renewal SA as part of administrative restructure	33	-	-	(548)	(548)
Total transfer between SA Government as owner 2016-17		9 547	-	(548)	8 999
Balance as at 30 June 2017		93 347	6 934 458	3 161 506	10 189 311

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

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

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
Cash flows from Operating Activities			
Cash Outflows			
Staffing Costs		(74 697)	(74 188)
Supplies and Services		(32 264)	(38 988)
Business Service Fee		(20 974)	(18 981)
Rental Property Expenses		(195 211)	(200 787)
Grants and Subsidies		(37 717)	(35 978)
Land Tax Equivalents Paid		(313 660)	(44 619)
Payments for Paid Parental Leave Scheme		(115)	(186)
Development Costs		(113 503)	(109 433)
Cash used in operations		(788 141)	(523 160)
Cash Inflows			
Rent Received		264 354	271 392
Recoveries Received		37 378	31 707
Other Receipts		6 717	6 837
Receipts from Commonwealth		74 485	73 582
Interest Received		6 888	7 651
Proceeds from Sale of Rental Property		107 694	153 495
GST receipts from the Department for Communities and Social Inclusion		3 273	2 923
Cash generated from operations		500 789	547 587
Cash Flows from SA Government			
Receipts from SA Government		87 629	81 175
Cash generated from SA Government		87 629	81 175
Net Cash provided by/(used in) Operating Activities	35	(199 723)	105 602
Cash flows from Investing Activities			
Cash Outflows			
Purchase of Property, plant and equipment		(265)	(1 205)
Purchase of Intangibles		(1 403)	(1 512)
Cash used in investing activities		(1 668)	(2 717)
Net Cash used in Investing Activities		(1 668)	(2 717)
Cash flows from Financing Activities			
Cash Inflows			
Capital contributions from SA Government		9 547	22 924
Cash generated from financing activities		9 547	22 924
Net Cash used in Financing Activities		9 547	22 924
Net Increase/(Decrease) in Cash Held		(191 844)	125 809
Cash at the Beginning of the Financial Year		397 198	271 389
Cash at the End of the Financial Year	21	205 354	397 198

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

DISAGGREGATED DISCLOSURES - EXPENSES AND REVENUES
For the Year Ended 30 June 2017

Refer Note 5	Public Housing		Indigenous Housing		Community Housing		Private Rental Assistance		Homelessness Services & Support		Emergency Relief Function		Program Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses														
Staffing Costs	52 267	54 218	8 328	7 848	3 014	3 035	5 759	5 593	4 312	4 243	516	259	74 196	75 196
Supplies and Services	24 023	23 891	5 458	4 830	1 075	1 458	1 926	1 763	1 140	1 083	748	77	34 370	33 102
Business Services Fees	15 671	16 346	2 870	2 389	2 041	691	1 445	1 384	1 178	1 081	147	68	23 352	21 959
Rental Properties Expenses	356 063	355 154	18 783	18 085	250	131	4	5	1	2	1	-	375 102	373 377
Depreciation and Amortisation	67 214	68 115	9 610	9 452	11 450	11 212	-	-	47	536	-	-	88 274	88 779
Grants and Subsidies	9 172	11 174	1 484	267	-	5	18 201	18 802	-	-	8 169	816	37 073	31 600
Impairment Expenses	21 957	15 234	1 584	1 074	266	640	5 900	5 600	-	-	-	-	29 707	22 548
Total Expenses	546 367	544 132	48 117	43 945	18 096	17 172	33 235	33 147	6 678	6 945	9 581	1 220	662 074	646 561
Income (excluding Capital Grants)														
Rental Income	249 912	251 269	15 610	15 594	12 988	13 215	-	-	-	-	-	-	278 510	280 078
Interest Revenue	6 679	7 888	-	-	-	-	-	-	-	-	-	-	6 679	7 888
Recoveries	22 474	19 481	2 463	2 895	199	187	8 690	8 428	4 367	4 377	-	-	38 193	35 368
Recurrent Commonwealth Revenues	74 485	73 582	-	-	-	-	-	-	-	-	-	-	74 485	73 582
Other Revenue	4 487	5 064	370	309	349	2	1 362	1 352	1	1	-	-	6 569	6 728
Net Gain from Disposal of Assets	4 825	8 327	(1 336)	(404)	(30)	(331)	-	-	-	-	-	-	3 459	7 592
Recurrent Revenues from SA Government	75 991	74 326	678	565	206	-	-	-	281	226	9 162	1 618	86 318	76 735
Gain on revaluation of non-current assets	162	87	-	-	-	-	-	-	-	-	-	-	162	87
Total Income (excluding Capital Grants)	439 015	440 024	17 785	18 959	13 712	13 073	10 052	9 780	4 649	4 604	9 162	1 618	494 375	488 058
Net Result Before Capital Grants	(107 352)	(104 108)	(30 332)	(24 986)	(4 384)	(4 099)	(23 183)	(23 367)	(2 029)	(2 341)	(419)	398	(167 699)	(158 503)
Capital Grants														
Capital Revenues from SA Government	1 311	4 440	-	-	-	-	-	-	-	-	-	-	1 311	4 440
Total Capital Grants	1 311	4 440	-	-	-	-	-	-	-	-	-	-	1 311	4 440
Net Result Before Income Tax Equivalent	(106 041)	(99 668)	(30 332)	(24 986)	(4 384)	(4 099)	(23 183)	(23 367)	(2 029)	(2 341)	(419)	398	(166 388)	(154 063)
Income Tax Equivalent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Result After Income Tax Equivalent	(106 041)	(99 668)	(30 332)	(24 986)	(4 384)	(4 099)	(23 183)	(23 367)	(2 029)	(2 341)	(419)	398	(166 388)	(154 063)

DISAGGREGATED DISCLOSURES - ASSETS AND LIABILITIES

As at 30 June 2017

Refer Note 5	Public Housing		Indigenous Housing		Community Housing		Private Rental Assistance		Homelessness Services & Support		Emergency Relief Function		Program Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Assets														
Cash and cash equivalents*	205 354	397 198	-	-	-	-	-	-	-	-	-	-	205 354	397 198
Receivables	14 515	10 816	5 109	5 211	-	2 082	-	-	-	-	-	-	19 624	22 234
Inventories	149 547	92 296	432	265	-	-	-	-	-	-	-	-	149 979	92 561
Non-current assets classified as held for sale	15 374	17 365	-	-	-	-	-	-	-	-	-	-	15 374	17 365
Property, Plant and Equipment	7 705 241	7 743 124	685 532	690 614	1 494 965	1 470 689	-	-	-	-	-	-	9 885 738	9 904 427
Intangible Assets	4 206	4 940	-	-	-	-	-	-	-	-	-	-	4 206	4 940
Total Assets	8 094 237	8 265 739	691 073	696 090	1 494 965	1 472 771	-	-	-	4 125	-	-	10 280 275	10 438 725
Liabilities														
Payables*	49 084	172 699	-	-	-	-	-	-	-	-	-	-	49 084	172 699
Staff Entitlements	17 533	17 951	2 794	2 611	1 011	1 010	1 932	1 861	1 446	1 412	173	86	24 889	24 931
Provisions	3 060	3 595	-	-	4	4	-	-	-	-	-	-	3 064	3 599
Other Liabilities	13 927	17 114	-	365	-	-	-	-	-	-	-	-	13 927	17 479
Total Liabilities	83 604	211 359	2 794	2 976	1 015	1 014	1 932	1 861	1 446	1 412	-	-	90 964	218 708

*These items have been attributed wholly to Public Housing as it was not possible to reliably attribute across other programs.

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Note 1 Objectives of the South Australian Housing Trust

1.1 Objectives

The South Australian Housing Trust (the Trust) is the State's principal housing authority. The Trust's roles and powers are based on the *South Australian Housing Trust Act 1995 (the Act)*, the *South Australian Co-operative and Community Housing Act 1991 (SACCH Act)* and the *Community Housing Providers (National Law) (South Australia) Act 2013*. As per Section 8 of the Act, the Trust is subject to the control and direction of the Minister for Housing and Urban Development (The Minister). The Trust's ability to meet its objectives and financial obligations is dependent on government policy and the decisions of the Minister.

The Trust delivers on its objectives under the Act via the Service Level Administrative Arrangements (SLAAs) established with both Renewal SA (RSA) and the Department for Communities and Social Inclusion (DCSI). RSA is providing, on behalf of the Trust, services for all asset and maintenance strategy, the development and delivery of projects that will renew the Trust's housing stock, and management of not-for-profit community housing growth strategies and transfers, including relevant financial management.

DCSI, on behalf of the Trust, delivers social housing services through Housing SA (including property maintenance services as funded by the Trust) to tenants and clients. Housing SA will also continue to provide other key housing related programmes and responsibilities as required.

The Minister for Social Housing has responsibility for selected functions under the Housing Improvement Act and the Act, DCSI reports to the Minister for Social Housing in relation to the provision of social housing services, with the Minister responsible for leading the transformation of service delivery for state-owned and managed social housing that will increasingly target services to community members with the greatest housing and support needs.

The primary objective of the Trust includes the provision of affordable housing to households and families on low to moderate incomes, including affordable home purchase opportunities, homelessness and support services; and the funding and regulation of Community Housing. The Board is responsible to the Minister for overseeing the operations of the Trust with the goals of:

- Ensuring the sound administration of the Act and the implementation of the Minister's housing policies and plans
- Achieving continuing improvements in the provision of secure and affordable public housing [S16 (1) (a)]
- Providing transparency and value in managing the resources available to the Trust and meeting Government and community expectations as to probity and accountability [S16 (1) (b)]
- Achieving appropriate social justice objectives and the fulfilment of the Trust's community service obligations [S16 (1) (c)]

Note 2 Significant Accounting Policies

2.1 Statement of Compliance

The Trust has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*, and section 27 of the Act.

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 the Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Trust has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Trust 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 judgement in the process of applying the Trust's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and

- compliance with accounting policy statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in these financial statements:
 - a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies;
 - b) expenses incurred as a result of engaging consultants;
 - c) 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 twelve month operating cycle and presented in Australian currency.

2.3 Reporting Entity

The Trust's financial statements include only Trust activities and do not incorporate any administered items. The financial statements and accompanying notes include all the controlled activities of the Trust.

2.4 Transferred Functions

On 25 August 2016 and on 21 April 2016, pursuant to the provisions of Section 23 of the Act, a transfer of properties from the Trust to the Urban Renewal Authority (URA), trading as Renewal SA, was effected by Government Gazettal (refer to Note 33).

2.5 Comparative Figures

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

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

2.6 Rounding

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

2.7 Taxation

In accordance with section 25 of the Act, the Trust may be required to pay to the State Government tax equivalents. Tax Equivalent Payments are required in respect of income tax and land tax equivalents.

In determining its income tax equivalent commitments, the Trust utilises the accounting profit model. Under this model, income tax expense is calculated by applying the company income tax rate (currently 30%) to the accounting profit for the year, adjusted for any items approved by the Under Treasurer for exclusion from the profit figure. Treasury reimburses the full cost of an Income Tax Expense resulting in a nil effect of these payments on the net result.

Land Tax equivalent is partially reimbursed by the State Government as part of a budget arrangement. The shortfall in funding impacting the net result for 2016-17 is \$107.149m (\$106.575m).

The Trust is liable for the cost of Payroll Tax, Fringe Benefits Tax, Stamp Duty and Goods and Services Tax (GST).

With respect to GST, the Trust is part of a GST group of which the nominated representative of the group is DCSI, which is responsible for paying GST on behalf of the Trust and is entitled to claim input tax credits. Administrative arrangements between DCSI and the Trust provide for the reimbursement of the GST consequence incurred/earned by the Trust. The reimbursement receivable from/payable to the Trust has been recognised as a payable/receivable in the Statement of Financial Position.

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.

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

2.8 Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. The Trust has a clearly identifiable operating cycle of twelve months. Assets and liabilities that are to be sold, consumed or realised as part of this 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 Trust has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

2.9 Assets

Receivables

Receivables include amounts receivable from debtors, GST input tax credits recoverable, prepayments and other accruals.

The majority of receivables relate to rent in respect of rental properties. Rents are recognised as revenue and charged to tenants weekly, in advance.

Trade receivables that arise in the normal course of selling goods and services to other agencies and to the public are normally settled within 30 days.

Other debtors that arise outside the normal course of selling goods and services to other agencies and to the public are subject to 30 day settlement terms.

The provision for doubtful debts/impairment loss is based on an actuarial review conducted by the consulting actuaries Brett & Watson Pty Ltd in June 2015 (refer note 22). The actuarial assessment conducted by Brett & Watson Pty Ltd was based on the requirements of AASB 139 *Financial Instruments: Recognition and Measurement*. The basic assumptions used in calculating the impairment loss included a discount rate of 2.8 per cent per annum, based on the risk free rate as at 30 June 2015, an estimated future debt write off of 2.8 per cent per annum and an assumption that 65 per cent of first arrangements will be written off by the end of their twelfth year. The provision covers variations to the net present value of debts as well as the debts not expected to be recovered. The next actuarial review will be undertaken in 2018.

Inventories

Inventories include capital work in progress, developed properties and vacant land that are expected to be sold in the ordinary course of business. Inventories are carried at the lower of cost and net realisable value. The amount of any inventory write-down to net realisable value is recognised as an expense in the period the write-down occurred. Any write-down reversals are recognised as an expense reduction.

- (i) Capital work in progress relates to development projects containing both land and building components that are expected to be sold on completion.
- (ii) Developed properties relates to land and building components that have been developed and may be sold in their current condition or transferred to capital work in progress as part of a development project. It is carried at cost.
- (iii) Vacant land consists of land that is expected to be sold.

Property, Plant and Equipment

(i) Acquisition and recognition

Assets acquired at no value, or minimal value, are recorded at their fair value in the Statement of Financial Position unless they are acquired as part of a restructuring of administrative arrangement, in which case they are recorded at the value recorded by the transferor prior to transfer.

All other assets are initially brought to account as follows:-

Rental Properties, Administrative Properties, Commercial Properties, Leasehold Improvements, Vacant Land and Plant and Equipment

These assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition and are depreciated as outlined below. The Trust capitalises assets with a value of \$5 000 or greater.

Subsequent costs are included in the asset's carrying amount, as appropriate, including capitalised maintenance costs on rental properties.

Assets Under Arrangement

Assets under arrangement are tenantable properties that have been transferred to a Community Housing Provider (CHP) to manage. In return for the right to manage these properties the CHP has issued a debenture at fair value, or entered into a legal arrangement, with similar provisions. Recognition is based on the Trust's control of the future service potential of the assets and that these are probable and can be reliably measured. Control of these properties resides with the Trust through the Community Housing Providers (National Law) (South Australia) Act 2013 and Funding Agreements which prescribe how the properties are to be used and managed on behalf of the government, the eligible tenants that are entitled to use them and the rent that can be charged by the CHP.

The SACCH Act provided for members of Housing Co-operatives and tenants of Associations to acquire equity in the properties they occupy, by the Co-operative or Association issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific Co-operative property.

Assets under arrangement are initially recognised at market value.

Remote Indigenous Leased Properties

The Minister for Social Housing has entered into lease arrangements ranging between 40 and 50 years with numerous indigenous communities to lease parcels of land to allow the construction of new houses and the upgrade of existing houses in remote areas utilising National Partnership Agreement funding. The Trust, as agent for the Minister, will oversee all capital works on the properties and overall management of the agreement. Under the terms of the Ground Lease, ownership of the new dwellings will pass to the governing body that manages the land at the end of the lease term.

The constructed assets are recorded as capital works in progress and once complete are recognised as Remote Indigenous Leased Properties.

Capital Work in Progress

Capital work in progress reflects assets under construction that will be utilised in the Trust's operations.

The carrying amount for capital work in progress includes all construction costs, charges for administrative expenses and a revaluation increment or decrement where the property has previously been revalued but excludes any borrowing costs and feasibility or pre-construction costs.

(ii) Valuation

Rental Properties, Administrative Properties, Commercial Properties, Vacant Land and Assets Under Arrangement

In compliance with AASB 116 *Property, Plant & Equipment* and APF III *Asset Accounting Framework*, all land and buildings are subsequently measured at fair value less accumulated depreciation.

The Trust revalues all land and buildings annually using the Valuer-General's values for rating purposes, issued as at 1 July 2016 reflecting "the capital amount that an unencumbered estate of fee simple in the land might reasonably be expected to realise upon sale" in accordance with the *Valuation of Land Act 1971* and is determined in line with the property market evidence at that time. This value is deemed to be fair value for financial reporting purposes.

Revaluation occurred at 31 October 2016, using the 1 July 2016 values, for all land and buildings acquired or completed before 31 October 2015.

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

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

Upon disposal or de-recognition, any revaluation surplus relating to that asset is transferred to retained earnings.

Remote Indigenous Leased Properties

Remote Indigenous Leased Properties are amortised over the period of the relevant ground lease, forty or fifty years, respectively. Each property is revalued every three years, using Valuer-General's values for rating purposes, if available, or depreciated replacement cost. The replacement cost is derived from information provided by Housing SA construction programs for similarly configured properties being constructed remotely. Due to the remoteness of many of these leased properties, there is no observable market for these properties, nor consistent Valuer-Generals information that could be applied to an alternative valuation method. The first of these revaluations occurred at 31 October 2015.

Leasehold Improvements

The value of leasehold improvements is recorded at cost (deemed fair value).

Plant and Equipment

Plant and equipment is brought to account at historical cost (deemed fair value).

(iii) Depreciation and Amortisation

Property, plant and equipment assets have a limited useful life and are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential ranging from 3 to 50 years. The useful lives of all major assets held by the Trust are reassessed on an annual basis.

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

Land, vacant land and capital work in progress are not depreciated.

Depreciation of property, plant and equipment is determined as follows:

Class of Asset	Depreciation Method	Useful Life (Years)
Rental Properties (Dwellings)*	Straight Line	50
Administrative Properties	Straight Line	10 – 30
Commercial Properties	Straight Line	20
Assets under Arrangement	Straight Line	50
Remote Indigenous Leased Properties	Straight Line	40 - 50
Leasehold Improvements	Straight Line	3 - 10
Plant and Equipment	Straight Line	3 - 10

* An estimated useful life of 50 years is assumed for rental dwellings and depreciation expense is calculated at a rate of 2 percent per annum on the opening revalued amount for each property.

Intangibles

Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Trust only has intangible assets with finite lives.

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset as outlined in AASB 138 *Intangible Assets* and when the amount of expenditure is greater than or equal to \$5 000. Amortisation is calculated on a straight-line basis over 3 years from the date that the asset is ready for use.

All research and development projects that do not meet the capitalisation criteria outlined in AASB 138 *Intangible Assets* are expensed.

Impairment

Receivables were tested for indications of impairment by way of an actuarial review at 30 June. The impairment loss has been offset against receivables and has been recognised in the Statement of Comprehensive Income under Impairment Expenses.

All other 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. If the amount by which the asset's carrying amount exceeds the recoverable amount is material it is recorded as an impairment loss.

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

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

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

The valuation processes and fair value changes are reviewed by the Director, Financial Services and the Audit & Finance Committee at each reporting date.

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

The Trust's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Trust 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.

2.10 Liabilities

Payables

Payables include creditors, accrued expenses and staff entitlement on-costs.

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

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

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

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

Staff Entitlements

Under Section 17 of the Act the Trust utilises employees of the DCSI & RSA for the provision of services. Staff Entitlements reflect the employee entitlements accrued by those DCSI & RSA staff assigned and servicing the Trust. These entitlements are payable by the Trust to the DCSI & RSA when they fall due.

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.

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

Salaries and Wages, annual leave, skills and experience retention 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 twelve months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as sick leave is non-vesting and the anticipated average sick leave to be 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 employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA government entities.

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

The current/non-current classification of the Trust's long service leave liabilities has been calculated based on historical usage patterns.

Staff entitlement on-costs

Staff entitlement on-costs of payroll tax and superannuation are recognised separately under payables.

Provisions

Insurance

The Trust has arranged, through South Australian Government Financing Authority SAICORP Division (SAICORP), to insure all major risks of the Trust. The excess payable under this arrangement varies depending on each class of insurance held. The amount of insurance expense recognised is the premium paid to SAICORP and any losses met by the Trust as deductibles under the cover.

The Trust undertakes annual reviews of insurance risks and provides for losses or other charges that are not covered by the Treasurer's indemnity with respect to each category of potential loss or claim reflected below.

The provision for Public Risk and Professional Indemnity includes estimates for future claim payments for reported claims with an allowance for claims incurred but not reported at balance date. This provision is internally calculated.

For all classes of insurance, claims liabilities are measured as the present values of the expected future payments.

Workers Compensation

The workers compensation provision recognised for the staff who provide services to the Trust is an actuarial estimate 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 Trust is responsible for the payment of workers compensation claims.

Leases

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

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits incidental to ownership of the leased items are classified as Operating leases. Operating lease payments are charged to the Statement of Comprehensive Income on a straight line basis, which is representative of the pattern of benefits derived from the leased assets.

Finance Leases

Leases where the Trust as lessee assumes substantially all the risks and benefits associated with ownership of the assets are classified as Finance Leases. Finance Leases are recognised in accordance with AASB 117 Leases as assets and liabilities in the Statement of Financial Position at the lower of fair value or the present value of the minimum lease payments as determined at the inception of the lease.

2.11 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 are disclosed gross of the amount of GST recoverable from, or payable to DCSI. Contingencies are disclosed net of the amount of GST recoverable from, or payable to DCSI.

Note 3 Financial Risk Management

While the Trust has significant financial assets and liabilities, such as cash on hand and on call, receivables and payables its exposure to market risk and cash flow risk is minimal and managed through appropriate provisions.

The Trust is exposed to credit risk associated with the amounts due to it from tenants for rent and other charges. Credit risk is ameliorated by the fact that amounts due from individual tenants are relatively small. The Trust manages credit risk associated with its tenants by establishment of a Credit Policy which is communicated to Trust staff and tenants. The performance of individual tenants and of components of the total population of tenants are monitored and reported upon to Trust management and the Board.

The Trust is also exposed to risk arising from property values in the real estate market, due to its reliance on asset sales to fund capital works. The Trust manages any risk of not meeting its sales revenue requirements by regular monitoring and reporting of sales performance.

The fair value of the Trust's financial assets and liabilities which are subject to normal trade credit terms, is considered to be book value.

In relation to liquidity/funding risk, the continued existence of the Trust in its present form, and with its present programs, is dependent on Government policy and associated funding programs for the Trust's administration and outputs.

Note 4 New and Revised Accounting Standards and Policies

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

Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective, have not been adopted by the Trust for the reporting period ending 30 June 2017. The Trust 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 Trust, except as outlined below.

Ref	Title and date of application	Summary	Impact on financial statements	Application date
AASB 16	Leases 1 Jan 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 accounting for leases. It will require the Trust to record almost all relevant operating lease arrangements in the financial statements. The Trust has not yet quantified the impact of applying AASB 16 to its current operating lease arrangements on the financial statements.	1 July 2019
AASB 1058	Income of Not-for-Profit Entities 1 Jan 19	The new standard specifies income recognition requirements that apply to Not-for-Profit (NFP) entities, in conjunction with AASB 15 Revenue. AASB 1058 and AASB 15 will supersede the majority of income recognition requirements relation to public sector NFP entities, previously in AASB 1004. The timing 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 Trust has commenced analysing the recognition requirements under this standard and is yet to form conclusions about significant impacts.	1 July 2019

Note 5 Activities of the South Australian Housing Trust

In achieving its objectives, the Trust has entered into a Service Level Administrative Arrangement (SLAA) with each of RSA and DCSI. RSA is providing, on behalf of the SAHT, services for all asset and maintenance strategy, the development and delivery of projects that will renew the SAHT's housing stock, and management of not-for-profit community housing growth strategies and transfers, including relevant financial management.

DCSI is continuing to deliver social housing services through Housing SA (including property maintenance services as funded by SAHT) to tenants and clients. Housing SA will also continue to provide other key housing related programmes and responsibilities as required.

Trust operations have been organised into the following business activities:

Public Housing – management of public housing tenancies and assets, and promotion of the development of the social housing sector. Managing tenancies includes assessment of customers for eligibility, allocation of public houses to those in need, provision of rental subsidies, linking customers with appropriate support services, provision of transitional housing and management of supported tenancies by providing properties to support agencies. Managing assets includes maintenance, area regeneration and urban renewal programs, stock replacement programs (construction, purchase and disposal), modification of houses for those with a disability and strategic management and planning for future public housing stock needs. Promoting development of the social housing sector includes furthering the Government's strategies to address the key issues of affordable housing and homelessness, as well as promoting innovation and partnering with private sector organisations.

Indigenous Housing – management of tenancies and housing assets specifically for indigenous customers (who may also choose to access assistance via general Public Housing), and management of the Commonwealth Government's National Partnership Agreement for Remote Indigenous Housing. This Agreement provides funding for the purpose of addressing issues of overcrowding in remote indigenous communities by increasing the supply of new houses, improving the condition of existing houses and ensuring ongoing maintenance and management of rental houses in remote indigenous communities.

Community Housing – development, support and promotion of the community housing sector, including administering the South Australian Co-operative and Community Housing Act 1991 and the Community Housing Providers (National Law) (South Australia) Act 2013, and assisting in the establishment, regulation and administration of Housing Co-operatives and Housing Associations in South Australia.

Private Rental Assistance – provision of financial assistance, information, referral, advocacy and counselling to assist households who are experiencing instability, poverty or housing difficulty in the private rental market.

Homelessness Services and Support – supporting the homelessness services sector to enable more integrated and responsive service provision.

Emergency Relief Support - Housing SA is the lead agency responsible for the Emergency Relief Functional Support Group (ERFSG) under the state emergency management arrangements. The ERFSG delivers relief and recovery services for the affected community during and after an emergency/disaster (e.g. bushfire, flood or earthquake).

In 2016-17 this activity includes the payment of the loss of power grant, provided to those who suffered loss and hardship as a result of the extended power outage in September 2016. The loss of power grant resulted in the payment of grants totalling \$7.864m and a reimbursement of these costs from the Department of Treasury and Finance.

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.

Note 6 Staffing Costs

	2017	2016
	\$'000	\$'000
Salaries and Wages	56 427	55 293
Superannuation*	6 678	6 794
Annual Leave	5 891	5 744
Payroll Tax	3 529	3 622
Other staff expenses	2 597	2 480
Long Service Leave	814	2 784
Retention Leave	377	354
Workers Compensation	1 112	1 148
Targeted Voluntary Separation Packages (refer below)	43	341
Board Fees	180	176
Charged to Capital Program	(3 452)	(3 540)
Total Staffing Costs	74 196	75 196

The Trust does not directly employ staff. Under Section 17 of the Act the Trust utilises staff of the DCSI & RSA for the provision of services. The Trust has entered into SLAAs with RSA and DCSI who employ staff and assign them, under these agreements, to the Trust to carry out the obligations and functions of the Trust. The Trust reimburse RSA and DCSI for the employee costs incurred and these are disclosed above.

* The superannuation employment on-cost charge represents the Trust's contributions to superannuation plans in respect of current services of staff assigned to the Trust.

Targeted Voluntary Separation Packages (TVSPs)	2017	2016
	\$'000	\$'000
Amount paid during the reporting period to separated staff:		
TVSPs	43	341
Annual Leave, Retention Leave and Long Service Leave paid to those employees	22	318
Recovery from the Department of Communities and Social Inclusion	-	-
Net cost to Trust	65	659

Number of employees who received a TVSP during the reporting period was: 1 4

Remuneration of Staff

The table below includes DCSI & RSA employees assigned to the Trust under the respective service level agreements who received remuneration equal to or greater than the base Executive Remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these staff for the year was \$2.381 million (\$3.411 million).

The number of staff whose remuneration received or receivable falls within the following bands:	2017	2016
	No	No
\$147 001 to \$157 000	2	2
\$157 001 to \$167 000	2	5
\$167 001 to \$177 000	5	-
\$177 001 to \$187 000	-	2
\$187 001 to \$197 000	-	3
\$197 001 to \$207 000	3	1
\$237 001 to \$247 000	-	1
\$267 001 to \$277 000*	-	1
\$277 001 to \$287 000	-	1
\$287 001 to \$297 000	1	-
\$347 001 to \$357 000*	-	1
Total number of staff	13	17

*The table includes the TVSP component paid where the employee meets the \$147,000 threshold on normal remuneration. In 2015-16, there were 2 employees included in the table whom received a TVSP.

Note 7 Supplies and Services

	2017	2016
	\$'000	\$'000
Operating Lease	6 931	6 825
Insurance	5 573	5 722
Contractors	3 534	3 060
Accommodation Expenses	2 979	2 411
Leased Property Expenses	1 243	1 552
Administration Expenses	1 900	2 112
Fleet Management	1 816	1 974
Computer Expenses	5 352	4 222
Printing, Stationery and Postage	1 655	1 553
Travel and Accommodation	763	743
Communications	949	918
Tenant Relocation	848	400
Agent Fees	496	524
Other Customer Related Expenses	335	1 282
Staff Development	562	445
Audit Fees - Auditor-General's Department ⁽¹⁾	456	445
Consultants	392	436
Brokerage	139	97
Charged to Capital Program	(1 553)	(1 619)
Total Supplies and Services	34 370	33 102

⁽¹⁾ Audit fees paid/payable to the Auditor – General's Department relating to the audit of financial statements. No other services were provided by the Auditor-General's Department.

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.

No penalty amounts were paid to small businesses as required by the *Late Payment of Government Debts (Interest) Act 2013* during the 2016-17 year.

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	1	9	2	7
Above \$10 000	9	383	3	429
Total paid/payable to the consultants engaged	10	392	5	436

Note 8 Business Service Fees

	2017	2016
	\$'000	\$'000
Computing Services and Processing Charges	8 140	7 941
Project Management Services	4 311	2 978
SA Government Shared Services	1 829	1 949
Human Resources Services	1 647	1 629
Procurement Services	966	943
Staff Development	937	895
Records Management and Mail Services	882	850
Administration Premises Management	874	853
Internal Audit	594	579
Payroll Services	584	570
GST Expense	497	742
Legal & Financial Services	431	421
Media & Communications Services	316	308
Geographical Information Services	285	278
Business Planning, Strategy and Quality Assurance	284	277
Insurance	274	267
Telecommunications Management and Charges	170	166
Motor Vehicle Hire Charges	331	313
Total Business Service Fees	23 352	21 959

In addition to assigned staff (refer note 6), DCSI, Renewal SA and Shared Services SA provide services and functions to the Trust pursuant to SLAAs as categorised above. Business Service Fees include payments made to DCSI, Renewal SA and Shared Services SA for these services and functions.

Note 9 Rental Property Expenses

	2017	2016
	\$'000	\$'000
Land Tax Equivalent	179 804	178 475
Maintenance	113 842	111 016
Council Rates	45 334	45 003
Water Rates	33 801	38 193
Construction Variances	217	70
Property Expenses	1 799	481
Emergency Services Levy	275	124
Stamp Duty & Search Fees	30	15
Total Rental Property Expenses	375 102	373 377

Note 10 Depreciation and Amortisation

	2017	2016
	\$'000	\$'000
Depreciation and Amortisation		
Rental Properties	67 037	68 211
Assets under Arrangement	12 565	12 103
Plant and Equipment	572	577
Administrative Properties	166	161
Commercial Properties	89	118
Intangible Assets	2 137	2 137
Leasehold Improvements	232	95
Remote Indigenous Leased Properties	5 476	5 377
Total Depreciation and Amortisation	88 274	88 779

Note 11 Grants and Subsidies

	2017	2016
	\$'000	\$'000
Private Rental Assistance	14 825	16 404
Emergency Management Grants	8 169	816
National Rental Affordability Scheme Subsidies	8 082	8 277
Emergency Accommodation Assistance	3 462	2 398
National Partnership Agreement: Remote Indigenous Housing	1 481	222
Affordable Housing Grants	710	627
Other Recurrent Grants	344	8
Crisis Accommodation Millers Court	-	2 046
National Partnership Agreement: Homelessness	-	581
Homes for Homes Initiative	-	200
Upgrade of Disability SA Housing	-	14
Subsidies to Community Housing Organisations	-	7
Total Grants and Subsidies	37 073	31 600

Note 12 Impairment Expenses

	2017	2016
	\$'000	\$'000
Asset Write-offs ⁽²⁾	14 850	10 568
Doubtful Debts Expense	14 268	11 366
Assets Held for Sale	589	614
Total Impairment Expenses	29 707	22 548

⁽²⁾ Expensing of book value of assets demolished.

Note 13 Net Gain from Disposal of Assets

	2017	2016
	\$'000	\$'000
Rental Properties		
Proceeds from disposal	62 475	102 653
Less net book value of assets disposed ⁽³⁾	(65 061)	(104 841)
Net Loss from disposal of rental properties	(2 586)	(2 188)
Administration Properties		
Proceeds from disposal	-	5
Less net book value of assets disposed ⁽³⁾	-	(5)
Net Loss from disposal of administration properties	-	-
Inventory - Developed Properties		
Proceeds from disposal	35 744	37 666
Less net book value of assets disposed ⁽³⁾	(30 944)	(27 494)
Net Gain from disposal of completed assets	4 800	10 172
Inventory - Vacant Land		
Proceeds from disposal	3 315	3 388
Less net book value of assets disposed ⁽³⁾	(2 015)	(3 754)
Net Gain/Loss from disposal of vacant land	1 300	(366)
Plant and Equipment		
Proceeds from disposal	-	-
Less net book value of assets disposed	(55)	(26)
Net Loss from disposal of plant and equipment	(55)	(26)
Total Assets		
Total proceeds from disposal	101 534	143 712
Less net book value of assets disposed ⁽³⁾	(98 075)	(136 120)
Total Net Gain from Disposal of Assets	3 459	7 592

(3) The net book value of assets disposed comprises the carrying amount of the properties, plus the costs of marketing and agent fees and the cost of separating services and titles in respect of double units sold. In establishing the property value, the Valuer includes the impact of capital improvements effected by the tenants. Tenants purchasing properties are allowed discounts consistent with their personal investment in the property.

Gains/Losses on disposal of 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.

Note 14 Rental Income

	2017	2016
	\$'000	\$'000
Rent received/receivable from entities external to the SA Government		
Market Rent Income	487 416	489 604
less Rental Rebates	(224 313)	(225 166)
Other Rent	15 407	15 640
Total Rental Income	278 510	280 078

Rent receivable in respect of each property is recognised as revenue and charged to tenants weekly, in advance.

The Trust determines a market rent for each property, structured on the basis of regional rental markets. This represents the potential rental income derivable from the rental stock. The Trust's rental policy is that no eligible tenant will be required to pay more than 25 percent of their household income in rent. The difference between the assessed rent (\$263.103m) for the property and the market rent (\$487.416m) is recognised as a rental rebate subsidy provided to tenants and income forgone by the Trust (\$224.313m).

Note 15 Interest Revenue

	2017	2016
	\$'000	\$'000
Interest from entities within the SA Government	6 660	7 863
Interest from entities external to the SA Government	19	25
Total Interest Revenue	6 679	7 888

Note 16 Recoveries

	2017	2016
	\$'000	\$'000
Water charges	14 969	11 696
Private Rental Assistance	8 481	8 097
Maintenance	5 396	6 166
Homelessness Services Recoveries	4 207	4 125
GST Recoveries	2 005	3 871
Insurance	1 998	435
General Service Recoveries	958	796
Other	179	182
Total Recoveries	38 193	35 368

Recoveries include costs that are on charged to tenants by the Trust including water usage charges, non-fair wear and tear maintenance charges and Private Rental Assistance bonds that are claimed by landlords.

Note 17 Recurrent Commonwealth Revenues

	2017	2016
	\$'000	\$'000
National Affordable Housing Agreement Base Funding	73 806	73 226
Kurlana Tangkuinya 'New Dreams' Project	507	277
Local Support Coordinator - Domestic & Family Violence	172	79
Total Recurrent Commonwealth Revenues	74 485	73 582

Grants for program funding are recognised as revenues when the Trust obtains control over the funding. Control over the funding is normally obtained upon receipt.

Note 18 Other Revenue

	2017	2016
	\$'000	\$'000
Bad Debts Recovered	5 413	5 383
Sundry Revenue	607	893
Shared Value Mortgages	242	452
Local Government Community Housing Program	307	-
Total Other Revenue	6 569	6 728

Note 19 Recurrent Revenues from SA Government

	2017	2016
	\$'000	\$'000
Tax Equivalent Reimbursement	72 655	71 900
National Rental Affordability Scheme	2 549	2 426
Emergency Management Reimbursement	9 162	1 618
Other State Grants	1 465	565
Homelessness Program	281	226
Equal Remuneration Order Supplementation Funding	206	-
Total Recurrent Revenues from SA Government	86 318	76 735

Revenues received from SA Government are recognised as revenues when the Trust obtains control over the funding. Control over these revenues is normally obtained upon receipt.

The capital component of National Partnership Agreement on Remote Indigenous Housing funding has been appropriated in the form of an equity contribution and is therefore not included as Revenues from SA Government. 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 Trust and the appropriation is recorded as contributed equity. Refer to the Statement of Changes in Equity.

Note 20 Capital Revenues from SA Government

	2017	2016
	\$'000	\$'000
Disability Housing Construction	1 099	-
Strathmont Stage 3 - Julian Rd Penfield Disability Project	212	-
City Respite Facility	-	4 440
Total Capital Revenues from SA Government	1 311	4 440

Note 21 Cash and Cash Equivalents

	2017	2016
	\$'000	\$'000
Cash held at SAFA Cash Management Facility	146 210	342 920
Deposits with the Treasurer	57 733	52 884
Cash - Development Projects	1 393	1 374
Cash on hand	18	20
Total Cash and Cash Equivalents	205 354	397 198

Cash is measured at nominal amounts

Deposits with the Treasurer

Relates to working cash held in the Commonwealth Bank Working account through the SA Department of Treasury and Finance.

Cash - Development Projects

Relates to the ANZ accounts held for the Playford development projects.

Note 22 Receivables

	2017	2016
	\$'000	\$'000
Receivables	30 517	36 063
Less allowance for doubtful debts	(19 062)	(20 256)
Accrued revenues	6 993	4 553
GST receivable from Department for Communities and Social Inclusion	671	1 274
Prepayments	505	600
Total Current Receivables	19 624	22 234
Total Receivables	19 624	22 234

Interest rate and credit risk

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Rent is payable in advance and charged weekly. All other receivables are subject to a term of 30 days.

Other than what is 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 received on demand. The credit risk is concentrated in the rental area due to the nature of the business of the Trust.

Prepayments, accrued revenues and the majority of receivables are non-interest bearing.

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 has been recognised in impairment expenses for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in the allowance for doubtful debts (impairment loss)	2017	2016
	\$'000	\$'000
Carrying amount at the beginning of the period	20 256	19 573
Increase in the provision	14 268	11 366
Amounts written off	(15 462)	(10 683)
Carrying amount at the end of the period	19 062	20 256

Bad and doubtful debts

The Trust has recognised a doubtful debts expense of \$14.268m (\$11.366m) in the Statement of Comprehensive Income.

Provision for doubtful debts policy – refer to Note 2.9

Maturity analysis of receivables – refer to table 38.3 in Note 38

Categorisation of financial instruments and risk exposure information – refer to Note 38

Note 23 Inventories

	2017	2016
	\$'000	\$'000
Current		
Capital Work in progress	112 769	70 388
Developed properties	22 248	15 462
Vacant land	14 883	6 566
Total Current Inventories	149 900	92 416
Non-Current		
Capital Work in progress	79	145
Total Non-Current Inventories	79	145
Total Inventories	149 979	92 561

Note 24 Non-Current Assets Classified as Held for Sale

	2017	2016
	\$'000	\$'000
Land	8 203	11 351
Buildings	7 171	6 014
Total Non-Current Assets Classified as Held for Sale	15 374	17 365

Non-Current Assets classified as Held for Sale relate to rental properties and administrative properties that are expected to be sold, through the private property market, within the next 12 months. These assets are measured at the lower of their carrying amount and fair value less costs to sell and are no longer depreciated, pending sale.

Note 25 Property, Plant and Equipment

	2017	2016
	\$'000	\$'000
Rental Properties		
Land		
Land at fair value	4 697 146	4 725 125
Buildings		
Buildings at fair value	3 326 874	3 386 735
Accumulated depreciation	(44 354)	(45 882)
Total Buildings	3 282 520	3 340 853
Total Rental Properties	7 979 666	8 065 978
Administrative Properties		
Land		
Freehold Land	1 771	1 954
Buildings		
Buildings	3 828	3 695
Accumulated depreciation	(128)	(127)
Total Buildings	3 700	3 568
Leasehold Improvements		
Leasehold Improvements at cost (deemed fair value)	7 774	7 713
Accumulated depreciation	(6 935)	(6 703)
Total Leasehold Improvements	839	1 010
Total Administrative Properties	6 310	6 532
Commercial Properties		
Land		
Commercial Properties	206	194
Buildings		
Buildings	1 789	1 713
Accumulated depreciation	(60)	(89)
Total Commercial Properties - Buildings	1 729	1 624
Total Commercial Properties	1 935	1 818
Assets Under Arrangement		
Land		
Assets Under Arrangement	824 454	800 457
Buildings		
Assets Under Arrangement	626 346	624 957
Accumulated depreciation	(8 371)	(8 369)
Total Assets Under Arrangement - Buildings	617 975	616 588
Total Assets Under Arrangement	1 442 429	1 417 045

Vacant Land**Land**

Freehold Land	37 153	44 296
Total Vacant Land	37 153	44 296

Remote Indigenous Leased Properties

Remote Indigenous Buildings	237 237	222 287
Accumulated amortisation	(14 398)	(9 028)
Total Remote Indigenous Leased Properties	222 839	213 259

Plant and Equipment

Plant and Equipment at cost (deemed fair value)	7 274	7 307
Accumulated depreciation	(3 606)	(3 156)
Total Plant and Equipment	3 668	4 151

Capital Works in Progress

Buildings & Land	191 738	151 348
Total Capital Works in Progress	191 738	151 348
Total Property, Plant and Equipment	9 885 738	9 904 427

Total property, plant and equipment at fair value	9 756 804	9 811 413
Total property, plant and equipment at cost	206 786	166 368
Total accumulated depreciation	(77 852)	(73 354)
Total Property, Plant and Equipment	9 885 738	9 904 427

Refer to Note 40 for reconciliation of Property, Plant and Equipment.

Note 26 Intangible Assets

	2017	2016
Computer Software	\$'000	\$'000
Internally Generated Computer software	16 819	16 614
Accumulated amortisation	(14 317)	(13 446)
Total Computer Software	2 502	3 168
Work in progress Computer System Development	1 704	1 772
Total Work in progress Computer Systems Development	1 704	1 772
Total Intangible Assets	4 206	4 940

An expense of \$2.686m (\$2.069m) for research and development costs has been recognised in 2016-17. Refer Note 7.

	Internally Generated Software		Work in Progress Computer System Development		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance	3 168	4 892	1 772	673	4 940	5 565
Additions	1 471	413	1 403	1 512	2 874	1 925
Transfers to Internally Generated Software	-	-	(1 471)	(413)	(1 471)	(413)
Amortisation	(2 137)	(2 137)	-	-	(2 137)	(2 137)
Closing Balance	2 502	3 168	1 704	1 772	4 206	4 940

Note 27 Payables

	2017	2016
	\$'000	\$'000
Current		
Creditors	24 067	18 181
Land Tax Payable	-	133 856
Accrued expenses	22 251	17 897
Staff oncosts	1 378	1 468
Total Current Payables	47 696	171 402
Non-Current		
Staff oncosts	1 388	1 297
Total Non-Current Payables	1 388	1 297
Total Payables	49 084	172 699

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the average factor for the calculation of employer superannuation on-cost has changed from the 2016 rate (of 10.2%) to 10.1%.

This rate is used in the employment oncost calculation. The net financial effect of the change in the current financial year is a decrease in the employment on-cost and staffing costs expense of \$0.014m. The estimated impact on 2018 and 2019 is considered to be immaterial.

Interest rate and credit risk

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

Maturity analysis of payables - refer to table 38.3 in Note 38.

Categorisation of financial instruments and risk exposure information - refer to Note 38

Note 28 Staff Entitlements

	2017	2016
	\$'000	\$'000
Current		
Annual leave	5 957	5 720
Long service leave	1 943	3 666
Retention leave	485	533
Accrued Salaries and Wages	1 401	961
Total Current Staff Entitlements	9 786	10 880
Non-Current		
Long service leave	15 103	14 051
Total Non-Current Staff Entitlements	15 103	14 051
Total Staff Entitlements	24 889	24 931

Under Section 17 of the Act the Trust utilises employees of the DCSI & RSA for the provision of services. Staff Entitlements reflect the employee entitlements accrued by those DCSI & RSA staff assigned and servicing the Trust. These entitlements are payable by the Trust to the DCSI & RSA when they fall due.

AASB119 *Employee Benefits* contains the calculation methodology for long service liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave liability. AASB119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service liability. The yield on long term Commonwealth Government bonds has increased from 2016 (2.00%) to 2017 (2.50%).

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 \$0.661m and staffing costs expense of \$0.987m. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption is the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service liability and 3% 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.

Note 29 Provisions

	2017	2016
	\$'000	\$'000
Current		
Public Risk & Professional Indemnity	61	71
Workers Compensation	1 002	1 015
Other Warranties	-	4
Total Current Provisions	1 063	1 090
Non-Current		
Public Risk & Professional Indemnity	683	723
Workers Compensation	1 318	1 786
Total Non-Current Provisions	2 001	2 509
Total Provisions	3 064	3 599

An asset of \$0.055m (\$0.097m) for workers compensation recoveries has been recognised for 2016-17. Refer Note 22.

	2017	2016
	\$'000	\$'000
Reconciliation of Public Risk & Professional Indemnity		
The following table shows the movement of Public Risk & Professional Indemnity		
Carrying amount at beginning of financial year	794	746
Additional provisions recognised	497	499
Reduction in provisions	(497)	(334)
Payments made	(50)	(117)
Carrying amount at 30 June	744	794

Reconciliation of Workers Compensation

The following table shows the movement of Workers Compensation

	2017	2016
	\$'000	\$'000
Carrying amount at beginning of financial year	2 801	3 178
Additional provisions recognised	1 111	1 148
Reduction in provisions	-	-
Payments made	(1 592)	(1 525)
Carrying amount at 30 June	2 320	2 801

Reconciliation of Other Warranties

The following table shows the movement of Other Warranties

	2017	2016
	\$'000	\$'000
Carrying amount at beginning of financial year	4	21
Additional provisions recognised	-	-
Reduction in provisions	(4)	(17)
Payments made	-	-
Carrying amount at 30 June	-	4

Note 30 Other Liabilities

	2017	2016
	\$'000	\$'000
Current		
Rent received in advance	9 241	12 402
Deposits Held:		
Tenant deposits held	2 473	2 478
Sale deposits held	102	86
Unearned revenue	159	159
Managed houses scheme	243	243
Total Current Other Liabilities	12 218	15 368
Non-Current		
Unearned revenue	677	836
Managed houses scheme	1 032	1 275
Total Non-Current Other Liabilities	1 709	2 111
Total Other Liabilities	13 927	17 479

Note 31 Unrecognised Contractual Commitments

	2017	2016
Capital Commitments	\$'000	\$'000
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements, are payable as follows:		
Not later than one year	19 916	23 065
Later than one year but not later than five years	8 232	7 051
Later than five years	-	-
Total Capital Commitments	28 148	30 116

Recurrent Commitments

The Trust's recurrent commitments are for agreements for expenditure on operations and maintenance contracted but not provided for and payable, are as follows:

Not later than one year	4 481	3 600
Later than one year but not later than five years	664	1 014
Later than five years	-	-
Total Recurrent Commitments	5 145	4 614

Management Agreement Commitments

The Trust's management agreement commitments are to manage houses subject to lease arrangements with Funds SA (formerly Colonial First State and Motor Accident Commission) which are contracted but not provided for are payable as follows:

Not later than one year	284	288
Later than one year but not later than five years	4 828	4 755
Later than five years	1 283	2 559
Total Management Agreement Commitments	6 395	7 602

Operating Lease Commitments

The Trust's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to 10 years with some leases having the right of renewal.

Commitments under non-cancellable operating leases at the reporting date that are not recognised as liabilities in the financial statements, are payable as follows:

Not later than one year	3 897	4 141
Later than one year but not later than five years	7 558	3 254
Later than five years	2 814	-
Total Operating Lease Commitments	14 269	7 395

Note 32 Contingent Assets and Liabilities**Contingent Assets****Shared Value Affordable Home Initiative**

The Shared Value Affordable Home Initiative, funded by the Commonwealth Government in conjunction with Local Government, allows eligible buyers the opportunity to purchase a property at a price less than market value. Each purchase is subject to a shared appreciation arrangement and a mortgage is affixed to the property. Under this arrangement when the property is sold or the mortgage discharged, the amount of the original discount, plus a share in any appreciation or depreciation in value, must be paid to the Trust for reinvestment in Affordable Housing outcomes. There are currently 18 (22) properties under this scheme with a total discount provided of \$0.971m (\$1.211m). The current share of depreciation of these properties is approximately \$0.053m (\$0.063m).

Contingent Liabilities**Progressive Purchase Scheme**

Under this scheme the Trust owns portions of properties as tenant in common with other persons. Where the Trust has signed agreements with lending institutions advancing persons mortgage monies, the Trust can be called upon in cases of default to purchase the defaulter's interest at current market value. The 12 (15) properties included in the scheme are subject to mortgages with a collective loan balance of \$0.168m (\$0.310m). The Tenant's share of the value of the properties subject to mortgage is estimated to be \$1.662m (\$2.028m), based on the Valuer-General's overall capital value.

Rental Purchase and Sale Under Agreement House Purchase Schemes

The rental purchase and sale under agreement portfolio was transferred to HomeStart Finance on 10 December 1993 and due to conditions in some of the agreements, the Trust remains responsible to make good for loss or damage to the subject properties for specific events. There are 7 (8) properties currently under this scheme. The Trust remains the legal owner of these properties until they are transferred to the purchasers upon completion of this agreement. The properties included in the scheme that are subject to indemnity clauses have a collective estimated replacement value of \$1.596m (\$1.628m). These properties together with the Trust's rental properties are subject to an agency agreement with South Australian Government Financing Authority, SAICORP Division (SAICORP) and in the event of a claim will be indemnified by the Treasurer so as to limit the exposure of the Trust to \$1.0m.

Bond Guarantee Scheme

Under the bond guarantee scheme a guarantee for the bond is given to the landlord. In the event of a claim by a landlord, the Office of Consumer and Business Services makes a payment. The Trust then reimburses the Office of Consumer and Business Services and the private rental customer becomes liable to the Trust for the amount. The value of bond guarantees issued and outstanding at 30 June 2017 is \$58.166m (\$55.550m). The value of claims made this financial year is \$8.273m (\$7.853m).

The Trust pays interest at an agreed market determined rate to the Office of Consumer and Business Services based on the daily outstanding balance of bond guarantees issued.

Equity Shares

The *South Australian Co-operative and Community Housing Act 1991* provided for members of Housing Co-operatives and tenants of Associations to acquire equity in the properties they occupy, by the Co-operative or Association issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific Co-operative or Association property. The Trust is obliged to repurchase the equity shares from holders who leave relevant Co-operatives or Associations at a value reflecting their proportion of the current value of the property at the time the equity shares are redeemed. The value of these equity shares at 30 June 2017 is \$9.755m (\$10.031m).

Note 33 Transferred Functions

The following assets were transferred to Renewal SA:

	2017 \$'000	2016 \$'000
Transferred Out		
Non Current Assets		
Property, Plant and Equipment	548	637
Total Non Current Assets	548	637
Total Net Assets Transferred Out	548	637

On 26 April 2012, pursuant to the provisions of Section 23 of the South Australian Housing Trust Act 1995, a transfer of properties from the Trust to RSA, was effected by Government Gazettal. These properties consisted of all the non-tenanted properties of the Woodville West urban renewal project.

Subsequently on 25 August 2016 and on 21 April 2016 a further transfer of properties from the Trust to RSA, was effected by Government Gazettal. These properties consisted of the remaining non-tenanted properties of the Woodville West urban renewal project.

Note 34 Unexpended Funding Commitments**Unspent Grant Commitments**

The following table shows grant revenue received which remains unspent as at 30 June 2017 and 30 June 2016.

	2017	2016
	\$'000	\$'000
<i>Unspent SA Government Revenues</i>		
Disability Respite Facility	7 440	7 440
Public Housing Stimulus	2 482	9 299
Strategic Projects	199	-
Street to Home Integrated Homelessness Program	7	46
Coober Pedy Homelessness & Support Service	1	15
Mobility Response Program	10	38
Total Unspent SA Government Commitments	10 139	16 838
<i>Unspent Commonwealth Revenues</i>		
Kurlana Tangkuinya 'New Dreams' Project	58	105
Local Support Coordinator	137	79
Total Unspent Commonwealth Grant Commitments	195	184
Total Unspent Grants	10 334	17 022

Most grants are subject to written agreements outlining the conditions of the funding, including the objectives, outcomes, performance criteria and reporting obligations. Non-compliance with these conditions may result in the Commonwealth or State recovering parts of the funding in accordance with the Implementation Plans (where applicable) for each agreement. The conditions attached to these grants can be summarised as:

Disability Respite Facility

The initiative being funded is the establishment of a new disability respite facility in Adelaide, to be developed and managed in partnership with the private and non-government sectors.

Public Housing Stimulus

Funding to enable the Trust to progress planning and delivery of a number of projects and programs to help stimulate activity in the state's housing construction sector and improve the quality of public housing.

Strategic Projects

Strategic Projects include a number of initiatives which support the ongoing development of the housing and homelessness sector. Funds were provided by DCSI to undertake projects including streamlining end-of-tenancy processes, evaluating the service delivery model, project managing an Economic Participation Initiative for Housing SA clients, and investigating options for secure and affordable housing for older women.

Street to Home Integrated Homelessness Program

Funding to enable the Trust staff to work in collaboration with the Street to Home service to facilitate the provision of shelter to those sleeping rough in and around the Adelaide Central Business District.

Coober Pedy Homelessness & Support Service

A homelessness response for transitional Aboriginal people from regional and remote communities presenting in Coober Pedy and Adelaide, who are at risk of rough sleeping or contributing to overcrowding in existing tenancies.

Aboriginal Mobility Response Program

Funding for a project which aims to address the risk and vulnerability associated with individuals and families from regional and remote South Australian communities who travel to metropolitan Adelaide.

Kurlana Tangkuinya 'New Dreams' Project (formerly the Sturt Street Project)

Funding has been provided by the Commonwealth Government for the purpose of providing intensive support for 6 Indigenous women/family groups at any one time for 3-6 months in purpose-built transitional accommodation in Sturt Street Adelaide and other support services. The project will also provide post-transition support to the groups for up to 6-12 months after they exit the accommodation.

Local Support Coordinator

Funding for the engagement of a Local Support Coordinator to coordinate support and services for women affected by domestic and family violence.

Note 35 Cash Flow Reconciliation

	2017 \$'000	2016 \$'000
Reconciliation of cash and cash equivalents at the end of the reporting period:		
Statement of Cash Flows	205 354	397 198
Statement of Financial Position	205 354	397 198
Reconciliation of Net Cash Inflows from Operating Activities to Net (Revenue from)/Cost of Providing Services:		
Net Cash provided by/(used in) Operating Activities	(199 723)	105 602
Less Receipts from SA Government	(87 629)	(81 175)
	(287 352)	24 427
Add/Less non cash items		
Depreciation and Amortisation	(88 274)	(88 779)
Loss/Gain on Revaluation of Non-current Assets	162	87
Net (loss)/gain from disposal of assets	3 459	7 592
Buildings and Other Assets Written Off	(15 439)	(11 182)
Construction Variance, surplus on property	(217)	(70)
Allowance for Doubtful Debts	1 194	(683)
Provision adjustment	(1 107)	(1 296)
Loan Amortisation	243	243
	(99 979)	(94 088)
Changes in Assets / Liabilities		
(Decrease) Increase in Receivables	(3 804)	7 079
(Decrease) Increase in Property, Plant and Equipment	8 510	(42 054)
Decrease (Increase) in Payables	123 615	(126 542)
(Increase) Decrease in Staff Entitlements	42	(1 702)
Decrease (Increase) in Provisions	1 642	1 642
(Increase) Decrease in Other Liabilities	3 309	(4 000)
	133 314	(165 577)
Net Revenue from/(Cost of) Providing Services	(254 017)	(235 238)

Note 36 Remuneration of board and committee members

Membership for various Boards and Committees during 2016-17 were:

SAHT Governing Board

(appointed by the Governor)

M Patetsos (Chairperson)

J King

M Hemmerling

G Crafter

C Holden

A Blair

Audit and Finance Committee

(appointed by the Board)

J King (Chairperson)

M Patetsos

M Hemmerling

G Holdich

The fees paid to Board members in their capacity as Board Members are set by Executive Council.

The number of Board and Committee members whose remuneration from the Trust falls within the following bands:

	2017 No.	2016 No.
\$0 - \$9 999	1	2
\$20 000 - \$29 999	3	3
\$30 000 - \$39 999	2	2
\$40,000 - \$49,999	1	1
	7	8

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 \$0.197m (\$0.193m) including superannuation contributions of \$0.017m (\$0.017m).

Note 37 Related Party Disclosures

The Trust is a government administrative unit and is wholly owned and controlled by the Crown.

Related parties of the Trust 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

Other than those transactions that have been disclosed in detail in the notes to these accounts the Trust had no other significant transactions with government related entities.

Collectively, but not individually significant transactions with government related entities

Quantitative information about transactions and balances between the Trust and other SA Government entities are disclosed at Note 41.

Key Management Personnel

Key management personnel of the Trust include both the Minister for Housing and Urban Development and the Minister for Social Housing, the Board of Directors, the Chief Executive Officer of Renewal SA, the Executive Director of Housing SA, the four members of the Renewal SA Executive team and the seven members of the Housing SA Housing and Homelessness Leadership Group who have responsibility for the strategic direction and management of the Trust. The compensation detailed below excludes salaries and other benefits the Minister for Housing and Urban Development and the Minister for Social Housing 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	2016
Compensation	\$'000	\$'000
Salaries and other short term employee benefits	1 310	1 253
Post-employment benefits	272	259
Total Key Management Personnel Compensation	1 582	1 512

The compensation detailed above is for key management personnel that are assigned to and remunerated directly by the Trust and the corresponding expenditure is included as Staffing Costs in Note 6.

Transactions with Key Management Personnel and other related parties

There were no reportable transactions between the Trust and any Key Management Personnel and their related parties.

Note 38 Financial Instruments/Financial Risk Management

Table 38.1 Categorisation of financial instruments

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

Category of financial assets	Note	Statement of Financial Position line item	Carrying Amount 2017 \$'000	Fair Value 2017 \$'000	Carrying Amount 2016 \$'000	Fair Value 2016 \$'000
Financial Assets						
Cash and cash equivalents	21	Cash and cash equivalents	205 354	205 354	397 198	397 198
Loans and Receivables	22	Receivables (at cost)	18 448	18 448	20 360	20 360
Financial Liabilities						
Payables	27	Payables (at cost)	45 529	45 529	35 285	35 285
Borrowings	30	Other Liabilities	3 850	3 850	4 082	4 082

Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables

Credit risk

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently the Trust does not hold any collateral as security to any of its financial assets.

Table 38.2 Ageing analysis of financial assets

The following table discloses the ageing of financial assets, past due, including impaired assets past due.

2017	Overdue for < 30 days \$'000	Overdue for 30 - 90 days \$'000	Overdue for > 90 days \$'000	Total \$'000
Not Impaired				
Receivables	728	141	6 630	7 499
Impaired				
Receivables	1 353	262	12 313	13 928
2016				
Not Impaired				
Receivables	999	148	7 132	8 279
Impaired				
Receivables	1 855	274	13 246	15 375

Receivable amounts disclosed here exclude amounts relating to statutory receivables.

Table 38.3: Maturity analysis of financial assets and liabilities

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

2017	Carrying Amount \$'000	<1 year \$'000	1-5 years \$'000	> 5 years \$'000
Financial Assets				
Cash & cash equivalents	205 354	205 354	-	-
Receivables ⁽⁴⁾	18 448	18 448	-	-
Total financial assets	223 802	223 802	-	-
Financial Liabilities				
Payables	45 529	45 529	-	-
Other Liabilities	3 850	2 818	972	60
Total financial liabilities	49 379	48 347	972	60

2016	Carrying Amount \$'000	<1 year \$'000	1-5 years \$'000	> 5 years \$'000
Financial Assets				
Cash & cash equivalents	397 198	397 198	-	-
Receivables ⁽⁴⁾	20 360	20 360	-	-
Total financial assets	417 558	417 558	-	-
Financial Liabilities				
Payables	35 285	35 285	-	-
Other Liabilities	4 082	2 807	972	303
Total financial liabilities	39 367	38 092	972	303

⁽⁴⁾ The total value of receivables, net of the provision for doubtful debts is \$11.455m (\$15.807m). Of this amount \$0.869m (\$5.127m) is SA Government debtors which are considered current. The remaining \$10.586m (\$10.680m) of non-SA Government debtors is a figure derived based on the application of an actuarial assessment of provisions which makes no judgement regarding age. Therefore any attempt to age this figure is problematical.

Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.

Note 39 Fair Value Measurement

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

	2017 \$'000	Level 2 \$'000	Level 3 \$'000
Fair Value Measurements at 30 June 2017			
Recurring fair value measurement			
Land (Note 25)	5 523 577	5 523 577	-
Buildings (Note 25)	3 905 924	3 905 924	-
Vacant Land (Note 25)	37 153	37 153	-
Leasehold Improvements (Note 25)	839	-	839
Plant and Equipment (Note 25)	3 668	-	3 668
Remote Indigenous Leased Properties (Note 25)	222 839	-	222 839
Capital Works in Progress (Note 25)	191 738	191 738	-
Total recurring fair value measurements	9 885 738	9 658 392	227 346
Non-recurring fair value measurement			
Land held for sale (Note 24) ⁽⁵⁾	8 203	8 203	-
Buildings held for sale (Note 24) ⁽⁵⁾	7 171	7 171	-
Total non-recurring fair value measurements	15 374	15 374	-
TOTAL	9 901 112	9 673 766	227 346

	2016 \$'000	Level 2 \$'000	Level 3 \$'000
Fair Value Measurements at 30 June 2016			
Recurring fair value measurement			
Land (Note 25)	5 527 730	5 527 730	-
Buildings (Note 25)	3 962 633	3 962 633	-
Vacant Land (Note 25)	44 296	44 296	-
Leasehold Improvements (Note 25)	1 010	-	1 010
Plant and Equipment (Note 25)	4 151	-	4 151
Remote Indigenous Leased Properties (Note 25)	213 259	-	213 259
Capital Works in Progress (Note 25)	151 348	151 348	-
Total recurring fair value measurements	9 904 427	9 686 007	218 420
Non-recurring fair value measurement			
Land held for sale (Note 24) ⁽⁵⁾	11 351	11 351	-
Buildings held for sale (Note 24) ⁽⁵⁾	6 014	6 014	-
Total non-recurring fair value measurements	17 365	17 365	-
TOTAL	9 921 792	9 703 372	218 420

⁽⁵⁾ The Trust has measured land and buildings held for sale at fair value less costs to sell in accordance with AASB 5 because the assets' fair value less costs to sell is lower than its carrying amount. Refer to Note 24

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

During 2017 and 2016, the Trust 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

Reconciliation of fair value measurements – Level 3

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

	Plant & Equipment	Leasehold Improvements	Remote Indigenous Properties
	2017 \$'000	2017 \$'000	2017 \$'000
Opening balance at the beginning of the period	4 151	1 010	213 259
Acquisitions	83	347	-
Transfer into level 3 ⁽⁶⁾	60	-	16 768
Transfer out of level 3 ⁽⁶⁾	-	(195)	-
Disposals	(54)	(91)	(1 712)
Total gains (losses) for the period recognised in net result:			
Depreciation and Amortisation expenses	(572)	(232)	(5 476)
Carrying amount at the end of the period	3 668	839	222 839

	Plant & Equipment	Leasehold Improvements	Remote Indigenous Properties
	2016 \$'000	2016 \$'000	2016 \$'000
Opening balance at the beginning of the period	4 064	781	214 034
Acquisitions	9	391	-
Transfer into level 3 ⁽⁶⁾	681	327	7 258
Transfer out of level 3 ⁽⁶⁾	-	(327)	(2 766)
Disposals	(26)	(67)	110
Total gains (losses) for the period recognised in net result:			
Depreciation and Amortisation expenses	(577)	(95)	(5 377)
Carrying amount at the end of the period	4 151	1 010	213 259

⁽⁶⁾ Transfers into and out of level 3 relate to transfers from and to other asset classes disclosed in different fair value hierarchy levels.

Note 40 Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment during 2016-17 and 2015-16:

	Rental Properties – Land		Rental Properties – Buildings		Admin Properties – Land	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying Amount as at 1 July	4 725 125	4 781 145	3 340 853	3 400 601	1 954	1 957
Additions	-	-	-	-	-	-
Transfer In from other asset category	39 741	30 628	48 822	37 673	35	-
Maintenance Upgrades	-	-	12 803	13 592	-	-
Assets Classified as Held for Sale	3 257	5 704	(1 157)	6 560	-	-
Disposals	(39 497)	(63 704)	(23 775)	(36 439)	-	-
Transfer out to other asset category	(130 559)	(197 032)	(25 563)	(82 154)	(235)	(21)
Assets transferred due to Admin restructure	(443)	(411)	(105)	(226)	-	-
Revaluation Increment (Decrement) ⁽⁷⁾	99 522	168 795	(2 843)	69 013	17	18
Depreciation and Amortisation expenses	-	-	(67 037)	(68 211)	-	-
Depreciation and Amortisation on disposals	-	-	522	444	-	-
Carrying Amount as at 30 June	4 697 146	4 725 125	3 282 520	3 340 853	1 771	1 954

	Admin Properties – Buildings		Admin Properties – Leasehold Improvements		Commercial Properties – Land	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying Amount as at 1 July	3 568	3 509	1 010	781	194	167
Additions	-	-	347	391	-	-
Transfer In from other asset category	315	-	-	327	-	-
Maintenance Upgrades	-	-	-	-	-	-
Assets Classified as Held for Sale	-	-	-	-	-	-
Disposals	-	(80)	(91)	(206)	-	-
Transfer out to other asset category	(75)	-	(195)	(327)	-	-
Assets transferred due to Admin restructure	-	-	-	-	-	-
Revaluation Increment (Decrement) ⁽⁷⁾	58	297	-	-	12	27
Depreciation and Amortisation expenses	(166)	(161)	(232)	(95)	-	-
Depreciation and Amortisation on disposals	-	3	-	139	-	-
Carrying Amount as at 30 June	3 700	3 568	839	1 010	206	194

	Commercial Properties – Buildings		Assets Under Arrangement – Land		Assets Under Arrangement – Buildings	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying Amount as at 1 July	1 624	1 682	800 457	657 442	616 588	546 981
Additions	-	-	-	-	-	-
Transfer In from other asset category	-	-	2 607	127 266	3 867	66 719
Maintenance Upgrades	-	-	-	-	-	-
Assets Classified as Held for Sale	-	-	-	-	-	-
Disposals	-	-	-	(274)	-	(558)
Transfer out to other asset category	-	-	(5 556)	(7 076)	(2 566)	(1 974)
Assets transferred due to Admin restructure	-	-	-	-	-	-
Revaluation Increment (Decrement) ⁽⁷⁾	194	60	26 946	23 099	12 624	17 493
Depreciation and Amortisation expenses	(89)	(118)	-	-	(12 565)	(12 103)
Depreciation and Amortisation on disposals	-	-	-	-	27	30
Carrying Amount as at 30 June	1 729	1 624	824 454	800 457	617 975	616 588

South Australian Housing Trust

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	Vacant Land – Land		Remote Indigenous Leased Properties		Plant and Equipment	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying Amount as at 1 July	44 296	51 709	213 259	214 034	4 151	4 064
Additions	3 365	461	-	-	83	9
Transfer In from other asset category	10 778	5 900	16 768	7 258	60	681
Maintenance Upgrades	-	-	-	-	-	-
Assets Classified as Held for Sale	-	-	-	-	-	-
Disposals	(2 324)	(1 891)	(1 817)	-	(177)	(91)
Transfer out to other asset category	(18 552)	(5 632)	-	(2 766)	-	-
Assets transferred due to Admin restructure	-	-	-	-	-	-
Revaluation Increment (Decrement) ⁽⁷⁾	(410)	(6 251)	-	-	-	-
Depreciation and Amortisation expenses	-	-	(5 476)	(5 377)	(572)	(577)
Depreciation and Amortisation on disposals	-	-	105	110	123	65
Carrying Amount as at 30 June	37 153	44 296	222 839	213 259	3 668	4 151

	Capital Work in Progress		Total Property, Plant and Equipment	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Carrying Amount as at 1 July	151 348	100 915	9 904 427	9 764 987
Additions	84 479	81 178	88 274	82 039
Transfer In from other asset category	147 620	97 400	270 613	373 852
Maintenance Upgrades	-	-	12 803	13 592
Assets Classified as Held for Sale	-	-	2 100	12 264
Disposals	-	-	(67 680)	(103 243)
Transfer out to other asset category	(191 709)	(128 145)	(375 011)	(425 127)
Assets transferred due to Admin restructure	-	-	(548)	(637)
Revaluation Increment (Decrement) ⁽⁷⁾	-	-	136 120	272 551
Depreciation and Amortisation expenses	-	-	(86 137)	(86 642)
Depreciation and Amortisation on disposals	-	-	777	791
Carrying Amount as at 30 June	191 738	151 348	9 885 738	9 904 427

(7) Of the total \$136.120 million revaluation increment, \$135.960 million applied as an increase in revaluation surplus and \$0.162 million is recognised as a gain on revaluation.

South Australian Housing Trust

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Note 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 30 June 2017, 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						
6	Staffing Costs	3 529	3 622	70 667	71 574	74 196	75 196
7	Supplies and Services						
	Accommodation Expenses	1 407	1 173	1 572	1 238	2 979	2 411
	Administration Expenses	428	402	1 472	1 710	1 900	2 112
	Agent Fees	-	-	496	524	496	524
	Audit Fees - Auditor-General's Department	456	445	-	-	456	445
	Brokerage	-	-	139	97	139	97
	Charged to Capital Program	-	-	(1 553)	(1 619)	(1 553)	(1 619)
	Communications	489	467	460	451	949	918
	Computer Expenses	209	190	5 143	4 032	5 352	4 222
	Consultants	-	-	392	436	392	436
	Contractors	186	-	3 348	3 060	3 534	3 060
	Fleet Management	1 783	1 944	33	30	1 816	1 974
	Insurance	173	2 729	5 400	2 993	5 573	5 722
	Leased Property Expenses	900	893	343	659	1 243	1 552
	Operating Lease	6 897	6 443	34	382	6 931	6 825
	Other Customer Related Expenses	-	596	335	686	335	1 282
	Printing, Stationery and Postage	-	-	1 655	1 553	1 655	1 553
	Staff Development	-	-	562	445	562	445
	Tenant Relocation	-	-	848	400	848	400
	Travel and Accommodation	-	-	763	743	763	743
8	Business Service Fees	23 352	21 959	-	-	23 352	21 959
9	Rental Property Expenses						
	Construction Variances	-	-	217	70	217	70
	Council Rates	-	-	45 334	45 003	45 334	45 003
	Emergency Services Levy	275	124	-	-	275	124
	Land Tax Equivalent	179 804	178 475	-	-	179 804	178 475
	Maintenance	-	-	113 842	111 016	113 842	111 016
	Property Expenses	350	185	1 449	296	1 799	481
	Stamp Duty & Search Fees	-	-	30	15	30	15

South Australian Housing Trust 2016-17

Note		SA Government		Non-SA Government		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
	Water Rates	33 771	38 193	30	-	33 801	38 193
10	Depreciation and Amortisation	-	-	88 274	88 779	88 274	88 779
11	Grants and Subsidies						
	Affordable Housing Grants	710	627	-	-	710	627
	Crisis Accommodation Millers Court	-	-	-	2 046	-	2 046
	Emergency Accommodation Assistance	-	-	3 462	2 398	3 462	2 398
	Emergency Management Grants	-	-	8 169	816	8 169	816
	Homes for Homes Initiative	-	-	-	200	-	200
	National Partnership Agreement: Homelessness	-	581	-	-	-	581
	National Partnership Agreement: Remote Indigenous Housing	-	-	1 481	222	1 481	222
	National Rental Affordability Scheme Subsidies	-	-	8 082	8 277	8 082	8 277
	Other Recurrent Grants	290	-	54	8	344	8
	Private Rental Assistance	9 448	9 145	5 377	7 259	14 825	16 404
	Subsidies to Community Housing Organisations	-	-	-	7	-	7
	Upgrade of Disability SA Housing	-	-	-	14	-	14
12	Impairment Expenses (Incl doubtful debts)						
	Asset Write-offs	-	-	14 850	10 568	14 850	10 568
	Doubtful Debts Expense	-	-	14 268	11 366	14 268	11 366
	Assets Held for Sale	-	-	589	614	589	614
	TOTAL EXPENSES	264 457	268 193	397 617	378 368	662 074	646 561
	INCOME						
14	Rental Income	-	-	278 510	280 078	278 510	280 078
15	Interest Revenue	6 660	7 863	19	25	6 679	7 888
16	Recoveries						
	General Service Recoveries	502	406	456	390	958	796
	GST Recoveries	-	-	2 005	3 871	2 005	3 871
	Homelessness Services Recoveries	4 207	4 125	-	-	4 207	4 125
	Insurance	1 739	-	259	435	1 998	435
	Maintenance	-	-	5 396	6 166	5 396	6 166
	Other	164	124	15	58	179	182
	Private Rental Assistance	-	-	8 481	8 097	8 481	8 097
	Water charges	-	-	14 969	11 696	14 969	11 696
17	Recurrent Commonwealth Revenues	-	-	74 485	73 582	74 485	73 582

South Australian Housing Trust

2016-17

Note		SA Government		Non-SA Government		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
18	Other Revenue						
	Assets Received Free of Charge	-	-	-	-	-	-
	Bad Debts Recovered	-	-	5 413	5 383	5 413	5 383
	Local Government Community Housing Program	-	-	307	-	307	-
	Shared Value Mortgages	-	-	242	452	242	452
	Sundry Revenue	-	-	607	893	607	893
19	Recurrent Revenues from SA Government	86 318	76 735	-	-	86 318	76 735
20	Capital Revenues from SA Government	1 311	4 440	-	-	1 311	4 440
13	Net Gain from Disposal of Assets	-	-	3 459	7 592	3 459	7 592
	Gain on revaluation of non-current assets	162	87	-	-	162	87
	TOTAL INCOME	101 063	93 780	394 623	398 718	495 686	492 498
	FINANCIAL ASSETS						
21	Cash and Cash Equivalents	203 961	395 824	1 393	1 374	205 354	397 198
22	Receivables						
	Accrued revenues	504	721	6 489	3 832	6 993	4 553
	Receivables	869	5 127	10 586	10 680	11 455	15 807
	TOTAL FINANCIAL ASSETS	205 334	401 672	18 468	15 886	223 802	417 558
	FINANCIAL LIABILITIES						
27	Payables						
	Accrued expenses	2 669	2 363	19 044	15 016	21 713	17 379
	Creditors	7 578	3 894	16 238	14 012	23 816	17 906
30	Other Financial Liabilities						
	Deposits Held	-	-	2 575	2 564	2 575	2 564
	Managed House Scheme	1 275	1 518	-	-	1 275	1 518
	TOTAL FINANCIAL LIABILITIES	11 522	7 775	37 857	31 592	49 379	39 367

CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the attached general purpose financial statements for the South Australian Housing Trust:

- 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 Trust; and
- present a true and fair view of the financial position of the Trust 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 Trust for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



M Patetsos
Chair
South Australian Housing Trust Board



J Hanlon
Chief Executive
Renewal SA



D De Luca
General Manager, Corporate Services
Renewal SA

Date... 15/9/17

INDEPENDENT AUDITOR'S REPORT



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Auditor-General's Department

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To the Chair South Australian Housing Trust

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 27(4) of the *South Australian Housing Trust Act 1995*, I have audited the financial report of the South Australian Housing Trust 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 South Australian Housing Trust 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 Revenues 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 Chair, South Australian Housing Trust Board, the Chief Executive, Renewal SA and the General Manager, Corporate Services, Renewal SA.

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 South Australian Housing Trust. 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 and the Members of the South Australian Housing Trust 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 South Australian Housing Trust are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

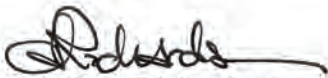
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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 and the members of the South Australian Housing Trust 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

South Australian
Metropolitan Fire Service

Financial report
for the year ended
30 June 2017

South Australian Metropolitan Fire Service
Statement of Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Employee benefits	5	121 195	130 918
Supplies and services	6	13 941	13 555
Grants and subsidies		74	185
Depreciation and amortisation	7	7 522	7 539
Total expenses		142 732	152 197
Income			
Fees and charges	8	4 659	4 443
Grants and contributions	9	1 106	1 176
Net gain/(loss) from disposal of non-current assets	10	261	(28)
Interest Revenues	11	56	82
Other Income	12	956	715
Total income		7 038	6 388
Net cost of providing services		135 694	145 809
Revenues from SA Government			
Revenues from SA Government	13	136 655	136 444
Total revenues from SA Government		136 655	136 444
Net result		961	(9 365)
Total comprehensive result		961	(9 365)

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

South Australian Metropolitan Fire Service
Statement of Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	14	3 710	2 916
Receivables	15	801	942
Non-current assets held for sale	16	-	254
Total current assets		4 511	4 112
Non-current assets			
Property, plant and equipment	17	142 970	141 818
Intangible assets	18	220	95
Total non-current assets		143 190	141 913
Total assets		147 701	146 025
Current liabilities			
Payables	20	5 091	5 338
Employee benefits	21	15 230	12 078
Provisions	22	6 451	6 020
Total current liabilities		26 772	23 436
Non-current liabilities			
Payables	20	2 145	1 894
Employee benefits	21	23 080	20 294
Provisions	22	5 714	11 372
Total non-current liabilities		30 939	33 560
Total liabilities		57 711	56 996
Net assets		89 990	89 029
Equity			
Asset revaluation surplus	23	98 445	98 445
Retained earnings	23	(8 455)	(9 416)
Total equity		89 990	89 029
The total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	26		
Contingent assets and liabilities	27		

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

South Australian Metropolitan Fire Service
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		98 445	(51)	98,394
Net result for 2015-16		-	(9 365)	(9,365)
Total comprehensive result for 2015-16		-	(9 365)	(9 365)
Balance at 30 June 2016	23	98 445	(9 416)	89 029
Net result for 2016-17		-	961	961
Gain on revaluation of plant and equipment during 2016-2017		-	-	-
Total comprehensive result for 2016-17		-	961	961
Balance at 30 June 2017	23	98 445	(8 455)	89 990

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

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

South Australian Metropolitan Fire Service
Statement of Cash Flows
for the year ended 30 June 2017

		2017	2016
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(120 794)	(122 673)
Supplies and services payments		(15 786)	(16 116)
Payments for paid Parental Leave Scheme		(30)	(54)
Grants and subsidies payments		(74)	(185)
Cash used in operations		(136 684)	(139 028)
Cash inflows			
Fees and charges		5 159	4 903
Receipts from grants and contributions		1 106	1 176
Interest received		59	88
GST recovered from the Australian Taxation Office		1 633	1 735
Receipts for paid Parental Leave Scheme		34	50
Other receipts		911	682
Cash generated from operations		8 902	8 634
Cash flows from SA Government			
Contributions from Community Emergency Services Fund		136 603	136 443
Other receipts from SA Government		52	1
Cash generated from SA government		136 655	136 444
Net cash provided by operating activities	25	8 873	6 050
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(8 668)	(9 461)
Payments for the disposal of property		(3)	(33)
Cash used in investing activities		(8 671)	(9 494)
Cash inflows			
Proceeds from the sale of property, plant and equipment		592	5
Cash generated from investing activities		592	5
Net cash used in investing activities		(8 079)	(9 489)
Net increase/(decrease) in cash and cash equivalents		794	(3 439)
Cash and cash equivalents at the beginning of the period		2 916	6 355
Cash and cash equivalents at the end of the period	14	3 710	2 916

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

South Australian Metropolitan Fire Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

1 Objectives and funding

Objectives

The South Australian Metropolitan Fire Service (MFS) is established under the *Fire and Emergency Services Act 2005* (the Act) and is responsible under the Act for the following functions:

- to provide services with a view to preventing the outbreak of fires, or reducing the impact of fires, in any fire district
- to provide efficient and responsive services in any fire district for the purpose of fighting fires, dealing with other emergencies or undertaking any rescue
- to protect life, property and environmental assets from fires and other emergencies occurring in any fire district
- to develop and maintain plans to cope with the effects of fires or emergencies in any fire district
- to provide services or support to assist with recovery in the event of a fire or other emergency in a fire district
- to perform any other function assigned to MFS by or under this or any other Act.

Funding arrangements

Funding of MFS is primarily derived from the Community Emergency Services Fund (the Fund), in accordance with the *Emergency Services Funding Act 1998*.

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*.

MFS has applied Australian Accounting Standards that are applicable to not-for-profit entities as MFS 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 MFS's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes.
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the Accounting Policy Statements require the following note disclosures, which have been included in this financial report:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items may be utilised. MFS has elected not to utilise this threshold; that is all revenue, expense, financial assets and liabilities relating to SA Government have been separately disclosed

South Australian Metropolitan Fire Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

- (b) expenses incurred as a result of engaging consultants
- (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
- (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.

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

Under the Act, MFS is a body corporate, an agency of the Crown and part of the consolidated emergency services sector.

The financial statements include all the controlled activities of MFS.

(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) Rounding

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

(f) Taxation

MFS is not subject to income tax. MFS is liable for payroll tax, 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 GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- receivables and payables, which are stated with the amount of GST included.

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

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

South Australian Metropolitan Fire Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

(g) Events after the reporting period

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

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

(h) Current and non-current classification

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

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

(i) 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.

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

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

Class of asset	Useful life (years)
Buildings	50
Vehicles	15
Communications equipment	10
Plant and equipment	10
Computer equipment	5
Intangibles	5

South Australian Metropolitan Fire Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

Revaluation of non-current assets

All non-current tangible assets are valued at fair value. On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every six years and carrying amounts are adjusted accordingly.

A valuation appraisal by a Certified Practising Valuer is performed at least every six years.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, the asset is 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.

Impairment

MFS 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.

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

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 period. 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. MFS only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

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

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

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

South Australian Metropolitan Fire Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

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.

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

- Level 1 - traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 - not traded in active 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 active market and are derived from unobservable inputs.

In determining fair value, MFS 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 (i.e. physically possible, legally permissible, financially feasible).

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

Refer note 19 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

(j) Liabilities

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

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

South Australian Metropolitan Fire Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

(k) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

3 New and revised accounting standards and policies

MFS 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 MFS 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 Jan 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.

MFS 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 MFS's goods and services. Some revenue may need to be deferred to a later reporting period to the extent that MFS has received cash but has not yet met the associated performance obligations.

South Australian Metropolitan Fire Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

3 New and revised accounting standards and policies (continued)

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.

MFS 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.

MFS has not assessed the impact of other new and amended standards and interpretations and therefore is not able to quantify the impact on accounting policies or the financial statements of MFS.

4 Activities of South Australian Metropolitan Fire Service

In achieving its objectives, MFS provides services within three general areas: frontline services, frontline support and governance and public value. These services are classified under one program titled 'South Australian Metropolitan Fire Service'.

South Australian Metropolitan Fire Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

5 Employee benefits expenses

	2017	2016
	\$'000	\$'000
Salaries and wages	85 107	81 415
Annual leave	11 120	10 430
Skills and experience retention leave	881	803
Long service leave	5 807	4 448
Employment on-costs - superannuation	12 432	11 972
Payroll tax	5 703	5 386
Workers compensation	(285)	16 041
Other employment related expenses	430	423
Total employee benefits expenses	121 195	130 918

Remuneration of employees

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

	2017	2016
	Number	Number
\$145 000 – \$147 000*	N/A	-
\$147 001 – \$157 000	37	5
\$157 001 – \$167 000	14	7
\$167 001 – \$177 000	10	17
\$177 001 – \$187 000	12	3
\$187 001 – \$197 000	6	5
\$197 001 – \$207 000	1	4
\$237 001 – \$247 000	1	-
\$247 001 – \$257 000	-	2
\$267 001 – \$277 000	-	1
\$297 001 – \$307 000	1	1
Total	82	45

* 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 FBT paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$13.597 million (2016: \$7.8 million).

South Australian Metropolitan Fire Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

6 Supplies and services

	2017	2016
	\$'000	\$'000
Accommodation	178	254
Auditor's remuneration	28	28
Communications	575	529
Computing costs	1 071	866
Consultancy, contractors and legal fees	786	843
Consumables	972	908
Energy	646	661
Government radio network	1 809	1 765
Insurance premiums	315	299
Minor plant and equipment	525	559
Operating lease costs	511	537
Operational costs	168	81
Repairs and maintenance	3 257	3 325
Travel and training	833	731
Uniforms and protective clothing	1 520	1 373
Other expenses	747	796
Total supplies and services	13 941	13 555

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.

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

Audit fees paid / payable to the Auditor-General's Department relating to work performed under the PFAA were \$28 000 (2016: \$28 000). No other services were provided by the Auditor-General's Department.

Consultants

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

	2017	2016	2017	2016
	Number	Number	\$'000	\$'000
Below \$10 000	-	5	-	25
Above \$10 000	2	1	61	18
Total paid/payable to consultants engaged	2	6	61	43

South Australian Metropolitan Fire Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

7 Depreciation and amortisation expense

	2017	2016
	\$'000	\$'000
Depreciation		
Buildings	2 486	2 529
Vehicles	4 428	4 513
Computers	119	84
Plant	259	207
Communications	206	182
Total depreciation	7 498	7 515
Amortisation		
Software	24	24
Total amortisation	24	24
Total depreciation and amortisation	7 522	7 539

8 Revenues from fees and charges

	2017	2016
	\$'000	\$'000
Fire alarm attendance fees	2 249	1 998
Fire safety fees	251	320
Fire alarm monitoring fees	2 133	2 075
Incident cost recoveries	-	22
Training and other recoveries	5	5
Salary recoveries	14	23
Other recoveries	7	-
Total fees and charges	4 659	4 443

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

South Australian Metropolitan Fire Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

9 Grants and contributions

	2017	2016
	\$'000	\$'000
Commonwealth Government	1 016	1,081
State Government	84	82
Private industry and local government	6	13
Total grants and contributions	1 106	1 176

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. 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.
- 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 grant funding for MFS relates to the cost of providing fire and emergency services to Commonwealth properties other grants relates contributions towards road awareness program.

There is a Memorandum of Understanding in relation to the Commonwealth contribution for the provision of fire and emergency services to Commonwealth properties. Conditions of other funding are based on completion of claim requests of actual expenditure.

10 Net gain (loss) from disposal of non-current assets

	2017	2016
	\$'000	\$'000
Land and buildings		
Proceeds from disposal	592	-
Less: net book value of assets disposed	(317)	-
Less costs of disposal	(3)	(33)
Net loss from disposal of land and buildings	272	(33)
Vehicles		
Proceeds from disposal	-	5
Net gain from disposal of vehicles	-	5
Communication equipment		
Less net book value of assets disposed	(7)	-
Net loss from disposal of communication equipment	(7)	-
Plant and equipment		
Less: net book value of assets disposed	(4)	-
Net gain/(loss) from disposal of vehicles	(4)	-
Total assets		
Total proceeds from disposal	592	5
Less total value of assets disposed	(328)	-
Less total costs of disposal	(3)	(33)
Total net gain/(loss) from disposal of non-current assets	261	(28)

South Australian Metropolitan Fire Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

11 Interest revenues

	2017	2016
	\$'000	\$'000
Interest on deposit accounts	56	82
Total interest revenues	56	82

12 Other income

	2017	2016
	\$'000	\$'000
Rent received	386	389
Insurance recoveries	44	22
Assets received free of charge	-	20
Other	526	284
Total other income	956	715

13 Revenues from SA Government

	2017	2016
	\$'000	\$'000
Revenues from SA Government		
Contributions from Community Emergency Services Fund	136 603	136 443
Other revenues from SA Government	52	1
Total revenues from SA Government	136 655	136 444

Contributions from CESF are recognised as revenues when MFS obtains control over the funding. Control over contributions is normally obtained upon receipt.

Revenues from SA Government consist of \$127.706 million (2016: \$128.181 million) for operational funding and \$8.949 million (2016: \$8.263 million) for capital projects.

For details on the expenditure associated with the operational funding and capital funding refer note 5 , 6 , 17 and 18 .

14 Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Cash on hand	4	6
Deposits with the Treasurer	3 706	2 910
Total cash and cash equivalents	3 710	2 916

Deposits with the Treasurer

One operating account is held with the Treasurer. This account is interest bearing.

Interest rate risk

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

Cash is measured at nominal amounts.

South Australian Metropolitan Fire Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

15 Receivables

	2017 \$'000	2016 \$'000
Current		
Receivables	460	619
Less: Allowance for doubtful debts	(68)	(77)
	392	542
Accrued revenues	51	16
GST input tax recoverable	358	384
Total current receivables	801	942

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.

Movements in the allowance for doubtful debts (impairment loss)	2017 \$'000	2016 \$'000
Carrying amount at the beginning of the period	(77)	(32)
Amounts written off	14	2
Increase in the allowance	(5)	(47)
Carrying amount at the end of the period	(68)	(77)

Interest rate and credit risk

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

16 Non-current assets held for sale

	2017 \$'000	2016 \$'000
Land held for sale	-	240
Building held for sale	-	14
Total non-current assets held for sale	-	254

Reconciliation of non-current assets held for sale movement

Carrying amount at 1 July	254	-
Disposals	(254)	-
Impairment loss	-	-
Transfers from property, plant and equipment	-	254
Total non-current assets held for sale	-	254

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17 Property, plant and equipment

	2017	2016
	\$'000	\$'000
Land		
At valuation	48 362	46 679
Total land	48 362	46 679
Buildings		
At valuation	65 883	55 390
At cost (deemed fair value)	-	9 584
Less accumulated depreciation	(8 608)	(6 065)
Total buildings	57 275	58 909
Vehicles		
At valuation	32 077	32 077
At cost (deemed fair value)	11 998	8 217
Less accumulated depreciation	(15 527)	(11 100)
Total vehicles	28 548	29 194
Communications (Comms.) equipment		
At valuation	1 646	804
At cost (deemed fair value)	666	503
Less accumulated depreciation	(518)	(443)
Total communication equipment	1 794	864
Computer equipment		
At valuation	4	4
At cost (deemed fair value)	593	593
Less accumulated depreciation	(215)	(96)
Total computer equipment	382	501
Plant and equipment		
At valuation	651	675
At cost (deemed fair value)	2 310	1 572
Less accumulated depreciation	(724)	(485)
Total plant and equipment	2 237	1 762
Capital work in progress		
At cost (deemed fair value)	4 372	3 909
Total capital work in progress	4 372	3 909
Total property, plant and equipment	142 970	141 818

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17 Property, plant and equipment (continued)

At 1 January 2014 independent valuations for land, buildings, vehicles, communication, computer, plant and equipment assets were undertaken by Liquid Pacific, Mr M Burns, MRICS, AAPI (CPV). The fair value of all vehicles, communications, computer and plant and equipment items was determined by identifying a market buying price, estimated as written down modern equivalent replacement cost. The fair value of land and buildings was based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

Impairment

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

Movement reconciliation of property, plant and equipment

2017

	Land	Buildings	Vehicles	Comms. Equipment	Computer Equipment	Plant & equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	46 679	58 909	29 194	864	501	1 762	3 909	141 818
Transfer between classes	-	-	-	-	-	-	(149)	(149)
Acquisitions	1 746	-	2	-	-	-	7 125	8 873
Transfers to/(from) capital WIP	-	852	3 780	1 143	-	738	(6 513)	-
Depreciation expense	-	(2 486)	(4 428)	(206)	(119)	(259)	-	(7 498)
Disposals	(63)	-	-	(7)	-	(4)	-	(74)
Carrying amount at the end of the period	48 362	57 275	28 548	1 794	382	2 237	4 372	142 970

2016

	Land	Buildings	Vehicles	Comms. Equipment	Computer Equipment	Plant & equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	46 879	52 260	28 548	1 046	345	1 004	10 619	140 701
Acquisitions	-	-	-	-	-	-	8 826	8 826
Transfers to/(from) capital WIP	-	9 192	5 139	-	240	965	(15 536)	-
Transfers to assets held for sale	(200)	(14)	-	-	-	-	-	(214)
Assets received free of charge	-	-	20	-	-	-	-	20
Depreciation expense	-	(2 529)	(4 513)	(182)	(84)	(207)	-	(7 515)
Carrying amount at the end of the period	46 679	58 909	29 194	864	501	1 762	3 909	141 818

South Australian Metropolitan Fire Service
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18 Intangible Assets

	2017	2016
	\$'000	\$'000
Computer software	577	443
Less accumulated amortisation	(357)	(348)
Total intangible assets	220	95

	2017	2016
	\$'000	\$'000
Movement reconciliation of intangible assets		
Carrying amount at the beginning of the period	95	119
Transfers from Capital WIP	149	-
Amortisation expense	(24)	(24)
Carrying amount at the end of the period	220	95

Asset details and amortisation

Intangible assets detailed above relate to computer software externally acquired.

Impairment

There were no indications of impairment of intangible assets at 30 June 2017.

19 Fair value measurement

Fair Value Hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purpose. MFS categorises non-financial assets measured at fair value into hierarchy bases on the level of inputs used in measurement.

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2017. MFS had no valuations categorised into level 1.

Fair value measurements at 30 June 2017

	Level 2	Level 3	2017
	\$'000	\$'000	\$'000
Recurring fair value measurements			
Land (note 17)	7 033	41 329	48 362
Buildings (note 17)	1 226	56 049	57 275
Vehicles (note 17)	-	28 548	28 548
Communication equipment (note 17)	-	1 794	1 794
Computer equipment (note 17)	-	382	382
Plant and equipment (note 17)	-	2 237	2 237
Total recurring fair value measurements	8 259	130 339	138 598
Total	8 259	130 339	138 598

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19 Fair value measurement (continued)

Fair value measurements at 30 June 2016

	Level 2	Level 3	2016
	\$'000	\$'000	\$'000
Recurring fair value measurements			
Land (note 17)	5 350	41 329	46 679
Buildings (note 17)	382	58 527	58 909
Vehicles (note 17)	-	29 194	29 194
Communication equipment (note 17)	-	864	864
Computer equipment (note 17)	-	501	501
Plant and equipment (note 17)	-	1 762	1 762
Total recurring fair value measurements	5 732	132 177	137 909
Non-recurring fair value measurements			
Land held for sale (note 16)	-	240	240
Building held for sale (note 16)	-	14	14
Total non-recurring fair value measurements	-	254	254
Total	5 732	132 431	138 163

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2017. MFS's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Refer to APF III Asset Accounting Framework for guidance in determining the applicable fair value hierarchy disclosure level.

Valuation techniques and inputs

Valuation techniques and inputs used to derive level 2 and 3 fair values are at note 17. There were no changes in the valuation techniques during 2017.

Land subject to restricted use is considered within Input Level 3.

Buildings that are specialised are classified as Input Level 3.

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

Reconciliation of Level 3 recurring fair value measurement at 30 June 2017

	Land	Buildings	Vehicles	Comms. Equip	Computer equip	Plant & equip	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at the beginning of the period	41 329	58 527	29 194	864	501	1 762	132 177
Acquisitions	-	-	3 782	1 143	-	738	5 663
Depreciation	-	(2 478)	(4 428)	(206)	(119)	(259)	(7 490)
Disposals	-	-	-	(7)	-	(4)	(11)
Closing balance at the end of the period	41 329	56 049	28 548	1 794	382	2 237	130 339
Carrying amount at 30 June	41 329	56 049	28 548	1 794	382	2 237	130 339

South Australian Metropolitan Fire Service
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19 Fair value measurement (continued)

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

	Land \$'000	Buildings \$'000	Vehicles \$'000	Comms. equip \$'000	Computer equip \$'000	Plant & equip \$'000	Total \$'000
Opening balance at the beginning of the period	41 569	51 870	28 548	1 046	345	1 004	124 382
Acquisitions	-	-	-	-	-	-	-
Assets reclassified to assets held for sale	(240)	(14)	-	-	-	-	(254)
Capitalised subsequent expenditure	-	9 192	5 139	-	240	965	15 536
Assets received free of charge	-	-	20	-	-	-	20
Depreciation	-	(2 521)	(4 513)	(182)	(84)	(207)	(7 507)
Closing balance at the end of the period	41 329	58 527	29 194	864	501	1 762	132 177
Carrying amount at 30 June	41 329	58 527	29 194	864	501	1 762	132 177

20 Payables

	2017 \$'000	2016 \$'000
Current		
Creditors	1 599	1 616
Accrued expenses	750	602
Paid Parental Leave Scheme payable	4	-
Employment on-costs	2 738	3 120
Total current payables	5 091	5 338
Non-current		
Creditors	2	2
Employment on-costs	2 143	1 892
Total non-current payables	2 145	1 894
Total payables	7 236	7 232

Employment on-costs

Employment on-costs include payroll tax, WorkCover 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 date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

The actuarial assessment performed by the Department of Treasury and Finance has resulted in the percentage of the proportion of long service leave taken remain unchanged from 40%, and the average factor for the calculation of employer superannuation cost on-cost has decreased from 2016 (10.2%) to 2017 (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 decrease in the employment on-cost of \$0.021 million and employee benefit expense of \$0.021 million. The estimated impact on future periods is not expected to be materially different to the effect on the current period as shown above.

South Australian Metropolitan Fire Service
Notes to and forming part of the financial statements
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20 Payables (continued)

Interest rate and credit risk

Payables are measured at nominal amounts. 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.

21 Employee benefits

	2017 \$'000	2016 \$'000
Current		
Accrued Salaries and Wages	2 107	477
Annual Leave	9 671	8 593
Skills and experience retention leave	1 269	1 045
Long Service Leave	2 183	1 963
Total employee benefits current	15 230	12 078
Non-current		
Long service leave	23 080	20 294
Total employee benefits non-current	23 080	20 294
Total employee benefits	38 310	32 372

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 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 decrease in the long service leave liability of \$1.063 million and employee benefits expense of \$1.063 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.

In 2017, the SAMFS identified an error in the long service leave liability estimate for 30 June 2016. The subsequent correction of this error in 2017 largely explains the increase in the liability.

South Australian Metropolitan Fire Service
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22 Provisions

	2017	2016
	\$'000	\$'000
Current		
Provision for workers compensation	6 451	6 020
Total current provisions	6 451	6 020
Non-current		
Provision for workers compensation	5 714	11 372
Total non-current provisions	5 714	11 372
Total provisions	12 165	17 392
Provision movement		
Carrying amount at the beginning of the period	17 392	9 457
Additional provisions recognised	(293)	16 036
Reductions arising from payments	(4 934)	(8 101)
Carrying amount at the end of the period	12 165	17 392

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.

Presumptive workers compensation coverage for firefighters for a range of cancers came into effect from 1 July 2013. The workers compensation provision as at 30 June 2017 includes an actuarial assessment of firefighters cancer claims. The actuary has included an estimate for injuries incurred but not reported. The actuarial assessment is sensitive to changes in assumptions and as claim costs are received and assessed, assumptions will be based on more extensive experience.

23 Equity

	2017	2016
	\$'000	\$'000
Retained earnings	(8 455)	(9 416)
Asset revaluation surplus	98 445	98 445
Total equity	89 990	89 029

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

South Australian Metropolitan Fire Service
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24 Related party transactions

MFS is a body corporate and an agency of the Crown, established by the Act.

Related parties of MFS 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

MFS 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 MFS and other SA Government controlled entities are disclosed at note 30 .

Key management personnel

Key management personnel of MFS include the Minister, the members of the SAFECOM Board, the Chief Officer of MFS and the one member of the Executive Team, who have responsibility for the strategic direction and management of the agency.

The compensation detailed below excludes salaries and other benefits the Minister for Emergency Services 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 \$'000
Salaries and other short term employee benefits	473
Post-employment benefits	72
Total related party transaction	545

Transactions with key management personnel and other related parties

There are no material transactions or balances to disclose with key management personnel or related parties.

South Australian Metropolitan Fire Service
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25 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	3 710	2 916
Balance as per the Statement of Cash Flows	3 710	2 916
Reconciliation of net cash provided by operating activities to net cost of providing services		
Net cash provided by operating activities	8 873	6 050
Less revenues from SA Government	(136 655)	(136 444)
Add/(less) non-cash items		
Depreciation and amortisation	(7 522)	(7 539)
Assets received free of charge	-	20
Net gain/(loss) from disposal of non-current assets	261	(28)
Movements in assets and liabilities		
(Decrease) / increase in receivables	(141)	(9)
(Increase) / decrease in payables	201	(610)
Decrease / (increase) in employee benefits	(5 938)	686
(Increase) / decrease in provisions	5 227	(7 935)
Net cost of providing services	(135 694)	(145 809)

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	2016
	\$'000	\$'000
Within one year	276	295
Later than one year but not later than five years	204	209
Total operating lease commitments	480	504

These non-cancellable leases relate to vehicle leases.

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26 Unrecognised contractual commitments (continued)

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	479	2 795
Total capital commitments	479	2 795

These capital commitments are for vehicles.

Expenditure commitments

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	544	294
Later than one year but not later than five years	1 060	19
Total expenditure commitments	1 604	313

Contractual commitments relate to information technology and fire appliance modifications.

27 Contingent assets and liabilities

Contingent assets

MFS is not aware of any contingent assets.

Contingent liabilities

MFS is not aware of any contingent liabilities.

South Australian Metropolitan Fire Service
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28 Remuneration of board and committee members

Members of boards and committees during 2017 were:

South Australian Metropolitan Fire Service Disciplinary Committee

Mr C Balles (term expired 31/01/2017)
 Mr C Smith * (retired 15/03/2017)
 Mr L Holland (appointed 15/03/2017)
 Mr M Vander-Jeugd *
 Mr P Kilsby * (appointed 15/03/2017)
 Mr S Smithson *

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

	2017	2016
	No. of	No. of
	members	members
\$nil	5	3
\$1 - \$9 999	1	1
	6	4

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 \$5 000 (2016: \$5 369).

*In accordance with the Premier and Cabinet's Circular Number 016, government employees did not receive any remuneration for board/committee duties during the financial year.

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

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

29 Events after the reporting period

There were no events after the reporting period affecting the financial statements.

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30 Transactions with SA Government

		SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses							
Employee benefits expenses	5	5 691	21 949	115 504	108 969	121 195	130 918
Supplies and services	6						
Accommodation		2	243	176	11	178	254
Auditor's remuneration		28	28	-	-	28	28
Communications		-	2	575	527	575	529
Computing costs		244	390	827	476	1 071	866
Consultancy, contractors and legal fees		75	70	711	773	786	843
Consumables		-	1	972	907	972	908
Energy		-	-	646	661	646	661
Government radio network		1 809	1 765	-	-	1 809	1 765
Insurance premiums		315	298	-	1	315	299
Minor plant and equipment		-	-	525	559	525	559
Operating lease costs		461	483	50	54	511	537
Operational costs		-	-	168	81	168	81
Repairs and maintenance		1 732	1 796	1 525	1 529	3 257	3 325
Travel and training		249	241	584	490	833	731
Uniforms and protective clothing		-	1	1 520	1 372	1 520	1 373
Other expenses		259	237	488	559	747	796
Grants and subsidies		-	-	74	185	74	185
Depreciation and amortisation expense	7	-	-	7 522	7 539	7 522	7 539
Total expenses		10 865	27 504	131 867	124 693	142 732	152 197
Income							
Revenues from fees and charges	8						
Fire alarm attendance fees		457	385	1 792	1 613	2 249	1 998
Fire safety fees		6	12	245	308	251	320
Fire alarm monitoring fees		214	214	1 919	1 861	2 133	2 075
Incident cost recoveries		-	22	-	-	-	22
Training and other recoveries		5	5	-	-	5	5
Salary recoveries		14	13	-	10	14	23
Other recoveries		-	-	7	-	7	-
Grants and contributions	9						
Commonwealth Government		-	-	1 016	1 081	1 016	1 081
State Government		84	82	-	-	84	82
Private industry and local government		-	-	6	13	6	13
Net gain/(loss) from disposal of non-current assets	10	59	(28)	202	-	261	(28)
Interest revenues	11	56	82	-	-	56	82
Other income	12						
Rent received		-	-	386	389	386	389
Insurance recoveries		23	5	21	17	44	22
Assets received free of charge		-	-	-	20	-	20
Other		11	-	515	284	526	284
Revenues from SA Government	13	136 655	136 444	-	-	136 655	136 444
Total income		137 584	137 236	6 109	5 596	143 693	142 832

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30 Transactions with SA Government (continued)

	Note	SA Government		Non-SA Government		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Financial assets							
Cash and cash equivalents	14	3 710	2 916	-	-	3 710	2 916
Receivables	15						
Receivables		40	45	352	497	392	542
Accrued revenues		18	8	33	8	51	16
GST input tax recoverable		-	-	358	384	358	384
Total financial assets		3 768	2 969	743	889	4 511	3 858
Financial liabilities							
Payables	20						
Accrued expenses		271	467	479	135	750	602
Creditors		779	357	822	1 261	1 601	1 618
Paid Parental Leave Scheme payable		-	-	4	-	4	-
Employment on-costs		2 490	2 344	2 391	2 668	4 881	5 012
Total financial liabilities		3 540	3 168	3 696	4 064	7 236	7 232

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

The following are brief explanations of variances between original budget and actual amounts. Explanations are provided for variances where the variance exceeds the greater of 10% of the original budget amount and 5% of original budgeted total expenses.

	Note	Original budget ¹ 2017 \$'000	Actual 2017 \$'000	Variance \$'000
Statement of Comprehensive Income				
Expenses				
Employee benefits		115 805	121 195	5 390
Supplies and services		12 292	13 941	1 649
Grants and subsidies		-	74	74
Depreciation and amortisation		8 541	7 522	(1 019)
Net gain/(loss) from disposal of non-current assets		-	261	261
Total expenses		136 638	142 993	6 355
Income				
Fees and charges		4 290	4 659	369
Grants and contributions		1 016	1 106	90
Interest Revenues		112	56	(56)
Other Income		296	956	660
Total income		5 714	6 777	1 063
Net cost of providing services		130 924	136 216	5 292
Revenues from / payments to SA government				
Revenues from SA government		136 381	136 655	274
Total revenues from / payments to SA Government		136 381	136 655	274
Total comprehensive result		5 457	439	(5 018)

¹ The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budget financial statements in respect of the reporting period (2016 -17 Budget Paper 4) for capital. These original budget 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.

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31 Budgetary reporting and explanations of major variances between budget and actual amounts (continued)

	Note	Original budget ¹ 2017 \$'000	Actual 2017 \$'000	Variance \$'000
Investing expenditure summary				
Total new projects	(a)	3 400	2 697	(703)
Total existing projects	(b)	2 500	1 192	(1 308)
Total annual programs	(c)	3 799	4 983	1 184
Total investing expenditure		9 699	8 872	(827)

¹ The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budget financial statements in respect of the reporting period (2016-17 Budget Paper 4). These amounts have not been adjusted to reflect revised budgets.

- a) Actual expenditure on new projects was lower than the original budget due to timing variances relating to the construction of new general purpose pumper vehicles.
- b) Actual expenditure on existing projects was lower than the original budget due to timing variances relating to the construction of new aerial firefighting vehicles. Actual expenditure was in line with the revised budget for this project which was revised during the year to \$1.258 million, with the remaining budget carried over to 2017-18.
- c) The original budget for annual programs was revised during the year to \$4.783 million as a result of sale proceeds and reallocation of costs from new and existing projects.

32 Financial risk management/financial instruments

32.1 Financial risk management

Risk management is managed by MFS corporate 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 exposure of MFS financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held. There have been no changes in risk exposure since the last reporting period.

32.2 Categorisation of financial instruments

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

Refer note 32.3 for the carrying amounts of each of the following categories of financial assets and liabilities: Held-to-maturity investments; receivables and payables measured at cost.

MFS 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, 15 and 20).

South Australian Metropolitan Fire Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

32 Financial risk management/financial instruments (continued)

32.3 Liquidity risk

Liquidity risk arises from the possibility that MFS is unable to meet its financial obligations as they fall due. MFS is funded principally from the Fund. MFS works with the Fund to determine the cash flows associated with its government approved program of work to ensure funding meets the expected cash flows.

Table 0 Categorisation and maturity analysis of financial assets and liabilities

Category of financial asset and financial liability	Notes	2017 Carrying amount / Fair value \$'000	Contractual maturities			
			Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
2017						
Financial assets						
Cash and cash equivalents	14	3 710	3 710	-	-	-
Receivables ⁽¹⁾⁽²⁾	15	511	511	-	-	-
Total financial assets		4 221	4 221	-	-	-
Financial liabilities						
Payables ⁽¹⁾	20	2 209	2 207	-	-	2
Total financial liabilities		2 209	2 207	-	-	2

Category of financial asset and financial liability	Notes	2016 Carrying amount/Fair value \$'000	Contractual maturities			
			Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
2016						
Financial assets						
Cash and cash equivalents	14	2 916	2 916	-	-	-
Receivables ⁽¹⁾⁽²⁾	15	557	557	-	-	-
Total financial assets		3 473	3 473	-	-	-
Financial liabilities						
Payables ⁽¹⁾	20	2 086	2 084	-	-	2
Total financial liabilities		2 086	2 084	-	-	2

⁽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.

South Australian Metropolitan Fire Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

32 Financial risk management/financial instruments (continued)

⁽²⁾ Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 15 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.

32.4 Credit risk

MFS has minimal concentration of credit risk. MFS has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. MFS 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 MFS.

32.5 Market risk

MFS has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). MFS's exposure to market risk and cash flow interest risk is minimal. There is minimal exposure to foreign currency or other price risks.

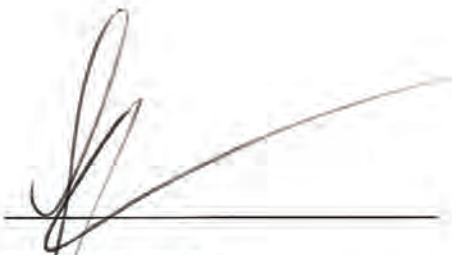
MFS does not trade in foreign currency, enter into transactions for speculative purpose nor for hedging. MFS does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the Government's risk management strategy articulated in TI 23 *Management of Foreign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

**South Australian Metropolitan Fire Service
Certification of the Financial Statements
for the year ended 30 June 2017**

We certify that the attached general purpose financial statements for the South Australian Metropolitan Fire Service:

- 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 South Australian Metropolitan Fire Service; and
- present a true and fair view of the financial position of the South Australian Metropolitan Fire Service 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 South Australian Metropolitan Fire Service for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Gregory Crossman
Chief Officer
South Australian Metropolitan Fire Service
15 September 2017



Lisa Lew
Business Manager
South Australian Metropolitan Fire Service
15 September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chief Officer South Australian Metropolitan Fire Service

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* section 52(2) of the *Fire and Emergency Services Act 2005*, I have audited the financial report of the South Australian Metropolitan Fire Service 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 South Australian Metropolitan Fire Service 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 Officer and the Business Manager.

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 South Australian Metropolitan Fire Service. 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 Officer for the financial report

The Chief 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

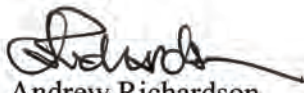
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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 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 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 'Andrew Richardson', with a stylized flourish extending from the end.

Andrew Richardson

Auditor-General

21 September 2017

South Australian
State Emergency Service

Financial report
for the year ended
30 June 2017

South Australian State Emergency Service
Statement of Comprehensive Income
for the year ended 30 June 2017

		2017	2016
	Note	\$'000	\$'000
Expenses			
Employee benefits	5	6 880	5 377
Supplies and services	6	9 827	7 818
Grants and subsidies		92	242
Depreciation and amortisation	7	2 109	1 992
Total expenses		18 908	15 429
Income			
Grants and contributions	9	114	163
Interest revenues	10	14	32
Other	11	151	147
Net gain (loss) from disposal of non-current assets	8	9	(79)
Total income		288	263
Net cost of providing services		18 620	15 166
Revenues from SA Government			
Revenues from SA Government	12	20 032	16 351
Total revenues from SA Government		20 032	16 351
Net result		1 412	1 185
Total comprehensive result		1 412	1 185

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

South Australian State Emergency Service
Statement of Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	13	1 800	2 170
Receivables	14	324	406
Other financial assets	15	387	391
Total current assets		2 511	2 967
Non-current assets			
Property, plant and equipment	16	39 554	37 786
Total non-current assets		39 554	37 786
Total assets		42 065	40 753
Current liabilities			
Payables	18	1 273	1 776
Employee benefits	19	793	624
Provisions	20	152	133
Total current liabilities		2 218	2 533
Non-current liabilities			
Payables	18	105	90
Employee benefits	19	1 153	972
Provisions	20	215	196
Total non-current liabilities		1 473	1 258
Total liabilities		3 691	3 791
Net assets		38 374	36 962
Equity			
Asset revaluation surplus	21	5 152	5 152
Retained earnings	21	33 222	31 810
Total equity		38 374	36 962

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	24
Contingent assets and liabilities	25

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

South Australian State Emergency Service
Statement of Changes in Equity
for the year ended 30 June 2017

		Asset Revaluation Surplus	Retained Earnings	Total
	Note	\$'000	\$'000	\$'000
Balance at 30 June 2015		5 152	30 625	35 777
Net result for 2015-16		-	1 185	1 185
Total comprehensive result for 2015-16		-	1 185	1 185
Balance at 30 June 2016	21	5 152	31 810	36 962
Net result for 2016-17		-	1 412	1 412
Total comprehensive result for 2016-17		-	1 412	1 412
Balance at 30 June 2017	21	5 152	33 222	38 374

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

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

South Australian State Emergency Service
Statement of Cash Flows
for the year ended 30 June 2017

		2017	2016
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(6 411)	(5 228)
Supplies and services payments		(11 839)	(8 553)
Grants and subsidies payments		(92)	(242)
Cash used in operations		(18 342)	(14 023)
Cash inflows			
Receipts from grants and contributions		114	163
Interest received		15	32
GST recovered from the Australian Taxation Office		1 511	859
Other receipts		164	249
Cash generated from operations		1 804	1 303
Cash flows from SA Government			
Contributions from Community Emergency Services Fund	12	19 971	16 290
Other receipts from SA Government	12	61	61
Cash generated from SA government		20 032	16 351
Net cash provided by operating activities	23	3 494	3 631
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(3 994)	(3 654)
Purchase of investment		4	(51)
Cash used in investing activities		(3 990)	(3 705)
Cash inflows			
Proceeds from the sale of property, plant and equipment		126	129
Cash generated from investing activities		126	129
Net cash used in investing activities		(3 864)	(3 576)
Net increase/(decrease) in cash and cash equivalents		(370)	55
Cash and cash equivalents at the beginning of the period		2 170	2 115
Cash and cash equivalents at the end of the period	13	1 800	2 170

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

South Australian State Emergency Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

1 Objectives and funding

Objectives

The South Australian State Emergency Service (SES) was established on 1 October 2005 under the *Fire and Emergency Services Act 2005* (the Act) with the following objectives:

- to assist the Commissioner of Police, South Australian Metropolitan Fire Service and South Australian Country Fire Service in dealing with any emergency
- to assist the State Co-ordinator, in accordance with the State Emergency Management Plan, in carrying out prevention, preparedness, response or recovery operations under the *Emergency Management Act 2004*
- to deal with any emergency where the emergency is caused by flood or storm damage, or where there is no other body or person with lawful authority to assume control of operations for dealing with the emergency
- to deal with any emergency until such time as anybody or person that has the lawful authority to assume control of operations for dealing with the emergency
- to respond to emergency calls and where appropriate, provide assistance in any situation of need whether or not the situation constitutes an emergency
- to undertake rescues.

Funding arrangements

Funding of SES is primarily derived from the Community Emergency Services Fund (the Fund), in accordance with the *Emergency Services Funding Act 1998*.

Funds generated by Units through fund raising activities are held locally for expenditure in the local community.

These funds are recognised as part of the 'other income' within SES's financial statements.

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*.

SES has applied Australian Accounting Standards that are applicable to not-for-profit entities as SES is a not-for-profit entity.

South Australian State Emergency Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

(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 SES's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes.
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the Accounting Policy Statements require the following note disclosures, which have been included in this financial report:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items may be utilised. SES has elected not to utilise this threshold; that is all revenue, expense, financial assets and liabilities relating to SA Government have been separately disclosed
 - (b) expenses incurred as a result of engaging consultants
 - (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

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

Under the Act, SES is a body corporate, an agency of the Crown and part of the consolidated emergency services sector.

The financial statements include all the controlled activities of SES.

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

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

(d) Trust funds

SES administers, but does not control, certain activities on behalf of the Australian Council of State and Territory Emergency Services. It is accountable for the transactions relating to those trust activities but does not have the discretion, for example, to deploy the resources for the achievement of SES's own objectives.

Transactions and balances relating to the trust assets are not recognised as SES's income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as 'Trust Funds.'

The accrual basis of accounting and applicable accounting standards has been adopted.

(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.

South Australian State Emergency Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

(f) Rounding

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

(g) Taxation

SES is not subject to income tax. SES is liable for payroll tax, 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 GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- receivables and payables, which are stated with the amount of GST included.

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

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

(h) Events after the reporting period

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

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

(i) Current and non-current classification

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

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

South Australian State Emergency Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

(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.

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.

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	40
Vehicles	20
Communications equipment	10
Plant and equipment	10
Computer equipment	5
Intangibles	5

Revaluation of non-current assets

All non-current tangible assets are valued at fair value. On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every six years and carrying amounts are adjusted accordingly.

A valuation appraisal by a Certified Practising Valuer is performed at least every six years.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, the asset is 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.

South Australian State Emergency Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

Impairment

SES 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.

SES 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.

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 period. 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. SES only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

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

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

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

Fair value measurement

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

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

- Level 1 - traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 - not traded in active 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 active market and are derived from unobservable inputs.

In determining fair value, SES 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 (i.e. physically possible, legally permissible, financially feasible).

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

Refer note 17 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

South Australian State Emergency Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

(k) Liabilities

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

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

(l) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

3 New and revised accounting standards and policies

SES 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 SES 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 Jan 2019. The amended standard introduces a single accounting model for lessees, eliminating the distinction between operating and finance leases.

South Australian State Emergency Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

3 New and revised accounting standards and policies (continued)

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.

SES 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 SES's goods and services. Some revenue may need to be deferred to a later reporting period to the extent that SES 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.

SES 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.

SES has not assessed the impact of other new and amended standards and interpretations and therefore is not able to quantify the impact on accounting policies or the financial statements of SES.

4 Activities of South Australian State Emergency Service

In achieving its objectives, SES provides these services classified under one program titled 'State Emergency Service'.

South Australian State Emergency Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

5 Employee benefits expenses

	2017	2016
	\$'000	\$'000
Salaries and wages	4 881	3 945
Annual leave	527	407
Skills and experience retention leave	24	14
Long service leave	317	219
Employment on-costs - superannuation *	556	458
Payroll tax	290	225
Workers compensation	230	61
Other employment related expenses	55	48
Total employee benefits expenses	6 880	5 377

*The superannuation employment on-cost charge represents SES contributions to superannuation plans in respect of current services of current employees.

Remuneration of employees

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

	2017	2016
	Number	Number
\$145 000 – \$147 000*	N/A	1
\$147 001 – \$157 000	1	-
\$157 001 – \$167 000	2	2
\$167 001 – \$177 000	1	-
\$207 001 – \$217 000	1	1
\$247 001 – \$257 000	-	1
\$257 001 – \$267 000	1	-
Total	6	5

* 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 \$1.107 million (2016: \$0.9 million).

South Australian State Emergency Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

6 Supplies and services

	2017	2016
	\$'000	\$'000
Accommodation	34	31
Auditor's remuneration	28	28
Communications	359	304
Computing costs	504	437
Consultancy, contractors and legal fees	904	366
Consumables	600	303
Energy	162	133
Government radio network	2 119	2 067
Insurance premiums	21	191
Minor plant and equipment	558	896
Operating lease costs	880	732
Operational costs	924	249
Repairs and maintenance	944	860
Travel and training	1 142	617
Uniforms and protective clothing	356	287
Other expenses	292	317
Total supplies and services	9 827	7 818

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.

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

Audit fees paid / payable to the Auditor-General's Department relating to work performed under the PFAA were \$28 000 (2016: \$28 000). No other services were provided by the Auditor-General's Department.

Consultants

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

	2017	2016	2017	2016
	Number	Number	\$'000	\$'000
Below \$10 000	-	1	-	9
Above \$10 000	2	-	52	-
Total paid/payable to consultants engaged	2	1	52	9

7 Depreciation and amortisation

	2017	2016
	\$'000	\$'000
Buildings	730	701
Vehicles	750	689
Computers	212	196
Plant and equipment	166	172
Communications	251	234
Total depreciation and amortisation	2 109	1 992

South Australian State Emergency Service
Notes to and forming part of the financial statements
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8 Net gain (loss) from disposal of non-current assets

	2017 \$'000	2016 \$'000
Vehicles		
Proceeds from disposal	126	129
Less net book value of assets disposed	(117)	(208)
Net gain/(loss) from disposal of vehicles	9	(79)
Total assets		
Total proceeds from disposal	126	129
Less total value of assets disposed	(117)	(208)
Total net gain/(loss) from disposal of non-current assets	9	(79)

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.

9 Grants and contributions

	2017 \$'000	2016 \$'000
Commonwealth Government	-	18
State Government	114	145
Total grants and contributions	114	163

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

Generally, SES has obtained control or the right to receive:

- Contributions with unconditional stipulations – this will be when the agreement becomes enforceable i.e. the earlier of when the receiving entity has formally been advised that the contribution (e.g. grant application) has been approved: agreement/contract is executed; and/or the contribution is received.
- Contribution with conditional stipulations – this will be when the enforceable stipulations specified in the agreement occur or are satisfied: that is income would be recognised for contributions received or receivable under the agreement.

All contributions received by SES have been contributions with conditional stipulations attached and have been recognised as income upon fulfilment of those stipulations.

Commonwealth Government grants and contributions consist of funding for National Emergency Management Projects.

SA Government grants and contributions consist of National Disaster Resilience Program funding for SES, Extreme Weather and Heatwave Risk Mitigation Project and Developing Leaders Within.

10 Interest revenues

	2017 \$'000	2016 \$'000
Interest on deposit accounts	14	32
Total interest revenues	14	32

South Australian State Emergency Service
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11 Other income

	2017	2016
	\$'000	\$'000
Donations	6	1
Unit fundraising	21	86
Other	124	60
Total other income	151	147

12 Revenues from SA Government

	2017	2016
	\$'000	\$'000
Revenues from SA Government		
Contributions from Community Emergency Services Fund	19 971	16 290
Other revenues from SA Government	61	61
Total revenues from SA Government	20 032	16 351

Contributions from Community Emergency Services Fund are recognised as revenues when SES obtains control over the funding. Control over contributions is normally obtained upon receipt.

Revenues from SA Government consist of \$15.836 million (2016: \$12.758 million) for operational funding, \$4.181 million (2016: \$3.580million) for capital projects and \$0.015 million (2016: \$0.013 million) Volunteer Marine Rescue Council funding.

For details on the expenditure associated with the operational funding and capital funding refer notes 5 , 6 and 16.

13 Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Deposits with the Treasurer	842	1 242
Cash on hand	1	1
Cash at bank	140	141
Cash at bank - Units	750	690
Short-term deposits - Units	13	49
Short-term deposits	54	47
Total cash and cash equivalents	1 800	2 170

Cash is measured at nominal amounts.

Deposits with the Treasurer

One operating account is held with the Treasurer. This account is interest bearing.

Short term deposits

Short-term deposits are made for varying periods of between one day and three months. The deposits are lodged with various financial institutions at their respective short-term deposit rates.

South Australian State Emergency Service
Notes to and forming part of the financial statements
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14 Receivables

	2017	2016
	\$'000	\$'000
Current		
Receivables	56	32
Accrued revenues	16	2
GST input tax recoverable	252	372
Total current receivables	324	406

Interest rate and credit risk

Receivables arise in the ordinary course of providing 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 when 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 SES 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.

15 Other financial assets

	2017	2016
	\$'000	\$'000
Medium term deposits - Units	387	391
Total other financial assets	387	391

South Australian State Emergency Service
Notes to and forming part of the financial statements
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16 Property, plant and equipment

	2017	2016
	\$'000	\$'000
Land		
At valuation	3 546	3 546
Total land	3 546	3 546
Buildings		
At valuation	15 770	15 770
At cost (deemed fair value)	5 445	2 727
Less accumulated depreciation	(2 422)	(1 691)
Total buildings	18 793	16 806
Vehicles		
At valuation	9 055	9 219
At cost (deemed fair value)	4 041	2 182
Less accumulated depreciation	(2 294)	(1 591)
Total vehicles	10 802	9 810
Communications (Comms.) equipment		
At valuation	1 089	1 089
At cost (deemed fair value)	813	813
Less accumulated depreciation	(775)	(524)
Total communications equipment	1 127	1 378
Computer equipment		
At valuation	2	2
At cost (deemed fair value)	1 059	1 059
Less accumulated depreciation	(409)	(197)
Total computer equipment	652	864
Plant and equipment		
At valuation	899	899
At cost (deemed fair value)	435	435
Less accumulated depreciation	(550)	(384)
Total plant and equipment	784	950
Capital work in progress		
At cost (deemed fair value)	3 850	4 432
Total capital work in progress	3 850	4 432
Total property, plant and equipment	39 554	37 786

South Australian State Emergency Service
Notes to and forming part of the financial statements
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16 Property, plant and equipment (continued)

Valuation of assets

As at 30 June 2017 in accordance with South Australian Fire and Emergency Services Commission (SAFECOM) policy, a review of the valuations were undertaken by a suitability qualified officer of SAFECOM which indicated that there was no material difference between the fair value and carrying amount of the assets. Consequently it was determined no revaluation adjustment were required at this time.

At 1 January 2014 independent valuations for land, buildings, vehicles, communication, computer, plant and equipment assets were undertaken by Liquid Pacific, Mr M Burns, MRICS, AAPI (CPV). The fair value of all vehicles, communications, computer and plant and equipment items was determined by identifying a market buying price, estimated as written down modern equivalent replacement cost. The fair value of land and buildings was based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

Impairment

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

Reconciliation of property, plant and equipment

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

2017	Land	Buildings	Vehicles	Comms. Equip	Computer Equip	Plant & equip	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	3 546	16 806	9 810	1 378	864	950	4 432	37 786
Acquisitions	-	-	-	-	-	-	3 994	3 994
Transfers to/(from) capital WIP	-	2 717	1 859	-	-	-	(4 576)	-
Depreciation expense	-	(730)	(750)	(251)	(212)	(166)	-	(2 109)
Disposals	-	-	(117)	-	-	-	-	(117)
Carrying amount at the end of the period	3 546	18 793	10 802	1 127	652	784	3 850	39 554

Reconciliation of property, plant and equipment

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

2016	Land	Buildings	Vehicles	Comms. Equip	Computer Equip	Plant & equip	Work in progress	Total
	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	3 546	17 506	10 540	1 414	978	1 122	1 228	36 334
Acquisitions	-	-	-	-	-	-	3 652	3 652
Transfers to/(from) capital WIP	-	1	167	198	82	-	(448)	-
Depreciation expense	-	(701)	(689)	(234)	(196)	(172)	-	(1 992)
Disposals	-	-	(208)	-	-	-	-	(208)
Carrying amount at the end of the period	3 546	16 806	9 810	1 378	864	950	4 432	37 786

South Australian State Emergency Service
Notes to and forming part of the financial statements
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17 Fair value measurement

Fair Value Hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purpose. SES categorises non-financial assets measured at fair value into hierarchy bases on the level of inputs used in measurement.

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2017.

SES had no valuations categorised into level 1.

Fair value measurements at 30 June 2017

	Level 2	Level 3	2017
	\$'000	\$'000	\$'000
Recurring fair value measurements			
Land (note 16)	1 249	2 297	3 546
Buildings (note 16)	7 633	11 160	18 793
Vehicles (note 16)	-	10 802	10 802
Communication equipment (note 16)	-	1 127	1 127
Computer equipment (note 16)	-	652	652
Plant and equipment (note 16)	-	784	784
Total recurring fair value measurements	8 882	26 822	35 704

Fair value measurements at 30 June 2016

	Level 2	Level 3	2016
	\$'000	\$'000	\$'000
Recurring fair value measurements			
Land (note 16)	1 249	2 297	3 546
Buildings (note 16)	5 127	11 679	16 806
Vehicles (note 16)	-	9 810	9 810
Communication equipment (note 16)	-	1 378	1 378
Computer equipment (note 16)	-	864	864
Plant and equipment (note 16)	-	950	950
Total recurring fair value measurements	6 376	26 978	33 354

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2017. SES's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Refer to APF III Asset Accounting Framework for guidance in determining the applicable fair value hierarchy disclosure level.

Valuation techniques and inputs

Valuation techniques and inputs used to derive level 2 and 3 fair values are at note 16. There were no changes in the valuation techniques during 2017.

Land subject to restricted use is considered within Input Level 3.

Buildings that are specialised are classified as Input Level 3.

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

South Australian State Emergency Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

17 Fair value measurement (continued)

Reconciliation of Level 3 recurring fair value measurement at 30 June 2017

	Land \$'000	Buildings \$'000	Vehicles \$'000	Comms. Equip \$'000	Computer Equip \$'000	Plant & equip \$'000	Total \$'000
Opening balance at the beginning of the period	2 297	11 679	9 810	1 378	864	950	26 978
Acquisitions	-	-	1 859	-	-	-	1 859
Depreciation	-	(519)	(750)	(251)	(212)	(166)	(1 898)
Disposals	-	-	(117)	-	-	-	(117)
Total losses recognised in net result	-	(519)	992	(251)	(212)	(166)	(156)
Carrying amount at the end of the period	2 297	11 160	10 802	1 127	652	784	26 822

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

	Land \$'000	Buildings \$'000	Vehicles \$'000	Comms. Equip \$'000	Computer Equip \$'000	Plant & equip \$'000	Total \$'000
Opening balance at the beginning of the period	2 297	12 211	10 540	1 414	978	1 122	28 562
Acquisitions	-	-	167	198	82	-	447
Depreciation	-	(532)	(689)	(234)	(196)	(172)	(1 823)
Disposals	-	-	(208)	-	-	-	(208)
Total gains/(losses) recognised in net result	-	(532)	(730)	(36)	(114)	(172)	(1 584)
Carrying amount at the end of the period	2 297	11 679	9 810	1 378	864	950	26 978

18 Payables

	2017 \$'000	2016 \$'000
Current payables		
Creditors	831	1 322
Accrued expenses	301	345
Employment on-costs	141	109
Total current payables	1 273	1 776
Non-current payables		
Employment on-costs	105	90
Total non-current payables	105	90
Total payables	1 378	1 866

South Australian State Emergency Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

18 Payables (continued)

Employment on-costs

Employment on-costs include payroll tax, WorkCover levies and superannuation contributions. SES 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 scheme. The only liability outstanding at reporting date relates to any contributions due not yet paid to State Government and externally managed 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 remains unchanged from 40%, and the average factor for the calculation of employer superannuation cost on-cost has decreased from 2016 (10.2%) to 2017 (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 decrease in the employment on-cost of \$0.001 million and employee benefit expense of \$0.001 million. The estimated impact on future periods is not expected to be materially different to the effect on the current period as shown above.

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 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.

19 Employee benefits

	2017 \$'000	2016 \$'000
Employee benefits current		
Accrued salaries and wages	107	81
Annual leave	603	486
Skills and experience retention leave	34	30
Long service leave	49	27
Total employee benefits current	793	624
Employee benefits non-current		
Long service leave	1 153	972
Total employee benefits non-current	1 153	972
Total employee benefits	1 946	1 596

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 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 to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$0.045 million and employee benefits expense of \$0.045 million. 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.

South Australian State Emergency Service
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20 Provisions

	2017	2016
	\$'000	\$'000
Current liabilities		
Provision for workers compensation	152	133
Total current provisions	152	133
Non-current liabilities		
Provision for workers compensation	215	196
Total non-current provisions	215	196
Total provisions	367	329
Provision movement		
Carrying amount at the beginning of the period	329	521
Additional provisions recognised	231	61
Reductions arising from payments	(193)	(253)
Carrying amount at the end of the period	367	329

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.

SES is responsible for the payment of workers compensation claims.

21 Equity

	2017	2016
	\$'000	\$'000
Retained earnings	33 222	31 810
Asset revaluation surplus	5 152	5 152
Total equity	38 374	36 962

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

22 Related party transactions

SES is a body corporate and is an agency of the Crown.

Related parties of SES 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

SES 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 SES and other SA Government entities are disclosed at note 27.

South Australian State Emergency Service
Notes to and forming part of the financial statements
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22 Related party transactions (continued)

Key management personnel

Key management personnel of SES include the Minister, the members of the SAFECOM, the Chief Officer of SES and the one member of the Executive Team who have responsibility for the strategic direction and management of the agency.

The compensation detailed below excludes salaries and other benefits the Minister for Emergency Services 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 \$'000
Compensation	
Salaries and other short term employee benefits	428
Post-employment benefits	45
Total compensation	473

Transactions with key management personal and other related parties

There are no material transactions or balances to disclose with key management personal or related parties.

23 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	1 800	2 170
Balance as per the Statement of Cash Flows	1 800	2 170
Reconciliation of net cash provided by operating activities to net cost of providing services		
Net cash provided by operating activities	3 494	3 631
Less revenues from SA Government	(20 032)	(16 351)
Add/(less) non-cash items		
Depreciation and amortisation	(2 109)	(1 992)
Net gain (loss) from disposal of non-current assets	9	(79)
Movements in assets and liabilities		
Increase/(decrease) in receivables	(82)	79
(Increase)/decrease in payables	488	(353)
(Increase)/decrease in employee benefits	(350)	(293)
Decrease/(increase) in provisions	(38)	192
Net cost of providing services	(18 620)	(15 166)

South Australian State Emergency Service
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24 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	2016
	\$'000	\$'000
Within one year	597	746
Later than one year but not later than five years	1 371	1 585
Later than five years	249	528
Total operating lease commitments	2 217	2 859

These non-cancellable leases relate to vehicle and property leases, with rental payable monthly. Contingent rental provisions within the property lease agreements require the minimum lease payments to be increased annually based on consumer price index movement or by fixed amounts determined in the contracts.

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	50	360
Total capital commitments	50	360

The capital commitments are for PABX system.

Expenditure commitments

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	107	115
Later than one year but not later than five years	85	-
Total expenditure commitments	192	115

Contractual commitments relate to information technology contracts.

25 Contingent assets and liabilities

Contingent assets

SES has a contingent asset in the form of an unresolved litigation. However, the outcome cannot be reliably determined at this stage.

SES is not aware of any other contingent assets.

Contingent liabilities

SES is not aware of any contingent liabilities.

South Australian State Emergency Service
Notes to and forming part of the financial statements
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26 Events at the end of the reporting period

There were no events after the reporting period affecting the financial statements.

27 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. A threshold of \$100 000 for separate identification of these items may be utilised. SES has elected not to utilise this threshold; that is all revenue, expense, financial assets and liabilities relating to SA Government have been separately disclosed

		SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses							
Employee benefits expenses	5	565	344	6 315	5 033	6 880	5 377
Supplies and services	6						
Accommodation		-	14	34	17	34	31
Auditor's remuneration		28	28	-	-	28	28
Communications		68	39	291	265	359	304
Computing costs		69	96	435	341	504	437
Consultancy, contractors and legal fees		313	75	591	291	904	366
Consumables		12	4	588	299	600	303
Energy		42	30	120	103	162	133
Government radio network		2 119	2 067	-	-	2 119	2 067
Insurance premiums		-	174	21	17	21	191
Minor plant and equipment		3	-	555	896	558	896
Operating lease costs		725	624	155	108	880	732
Operational costs		17	2	907	247	924	249
Repairs and maintenance		150	54	794	806	944	860
Travel and training		143	8	999	609	1 142	617
Uniforms and protective clothing		18	-	338	287	356	287
Other expenses		120	118	172	199	292	317
Grants and subsidies		-	-	92	242	92	242
Depreciation and amortisation expense	7	-	-	2 109	1 992	2 109	1 992
Total expenses		4 392	3 677	14 516	11 752	18 908	15 429

South Australian State Emergency Service
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27 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							
Grants and contributions	9						
Commonwealth Government		-	-	-	18	-	18
State Government		114	145	-	-	114	145
Interest revenues	10	14	32	-	-	14	32
Other income	11						
Donations		-	-	6	1	6	1
Unit fundraising		-	-	21	86	21	86
Other		78	-	46	60	124	60
Net gain (loss) from disposal of non-current assets	8	-	-	9	(79)	9	(79)
Revenues from SA Government	12	20 032	16 351	-	-	20 032	16 351
Total income		20 238	16 528	82	86	20 320	16 614
Financial assets							
Cash and cash equivalents	13	843	1 243	957	927	1 800	2 170
Receivables	14						
Receivables		-	-	56	32	56	32
Accrued revenues		2	2	14	-	16	2
GST input tax recoverable		-	-	252	372	252	372
Other financial assets	15	-	-	387	391	387	391
Total financial assets		845	1 245	1 666	1 722	2 511	2 967
Financial liabilities							
Payables	18						
Accrued expenses		55	219	246	126	301	345
Creditors		75	320	756	1 002	831	1 322
Employment on-costs		123	98	123	101	246	199
Total financial liabilities		253	637	1 125	1 229	1 378	1 866

South Australian State Emergency Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

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

The following are brief explanations of variances between original budget and actual amounts. Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of the original budgeted total expenses.

Statement of Comprehensive Income	Note	Original Budget ¹ 2017 \$'000	Actual 2017 \$'000	Variance \$'000
Expenses				
Employee benefits		6 247	6 880	633
Supplies and services	(a)	7 390	9 827	2 437
Grants and subsidies		-	92	92
Depreciation and amortisation		2 316	2 109	(207)
Total expenses		15 953	18 908	2 955
Income				
Grants and contributions		-	114	114
Interest revenues		23	14	(9)
Other		88	151	63
Net gain (loss) from disposal of non-current assets		-	9	9
Total income		111	288	177
Net cost of providing services		15 842	18 620	2,778
Revenues from / payments to SA government				
Revenues from SA government	(b)	18 109	20 032	1 923
Total revenues from / payments to SA Government		18 109	20 032	1,923
Total comprehensive result		2 267	1 412	(855)

¹ The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budget financial statements in respect of the reporting period (2016-17 Budget Paper 4). These original budget 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.

- (a) Supplies and services were higher than budget due to costs incurred in responding to extreme weather events during 2016-17 and for the vehicle tyre replacement program which was offset by savings in investment expenditure.
- (b) Revenues from SA government were higher than budget due to additional funding received to cover costs relating to the extreme weather events.

South Australian State Emergency Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

28 Budget reporting and explanations of major variances between actual and budget amounts (continued)

		Original Budget ¹ 2017 \$'000	Actual 2017 \$'000	Variance \$'000
Investing expenditure summary	Note			
Total annual program		4 231	3 994	(237)
Total investing expenditure		4 231	3 994	(237)

There were no variances where the variance exceeds the greater of 10% of the original budget amount and 5% of original budgeted total investing expenditure.

29 Financial risk management/financial instruments

29 .1 Financial risk management

Risk management is managed by SES 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 exposure of SES to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held. There have been no changes in risk exposure since the last reporting period.

29 .2 Categorisation of financial instruments

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

Refer note 29.3 for the carrying amounts of each of the following categories of financial assets and liabilities: Held-to-maturity investments; receivables and payables measured at cost.

SES 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 ,14 and 18).
- Held-to-maturity investments are initially recognised at fair value, then subsequently held at amortised cost. This is the most representative of fair value in the circumstances (refer notes 2 and 15).

29 .3 Liquidity risk

Liquidity risk arises from the possibility that SES is unable to meet its financial obligations as they fall due. SES is funded principally from the Fund. SES works with the Fund to determine the cash flows associated with its government approved program of work to ensure funding meets the expected cash flows.

South Australian State Emergency Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

29 Financial risk management/financial instruments (continued)

Table 29 .3 Categorisation and maturity analysis of financial assets and liabilities

Category of financial asset and financial liability	Notes	2017 Carrying amount/Fair value \$'000	Contractual maturities			
			Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
2017						
Financial assets						
Cash and cash equivalents	13	1 800	1 800	-	-	-
Receivables ⁽¹⁾⁽²⁾	14	20	20	-	-	-
Other financial assets	15	387	387	-	-	-
Total financial assets		2 207	2 207	-	-	-
Financial liabilities						
Payables ⁽¹⁾	18	1 109	1 109	-	-	-
Total financial liabilities		1 109	1 109	-	-	-

			Contractual maturities			
			Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
2016						
Financial assets						
Cash and cash equivalents	13	2 170	2 170	-	-	-
Receivables ⁽¹⁾⁽²⁾	14	19	19	-	-	-
Other financial assets	15	391	391	-	-	-
Total financial assets		2 580	2 580	-	-	-
Financial liabilities						
Payables ⁽¹⁾	18	1 627	1 627	-	-	-
Total financial liabilities		1 627	1 627	-	-	-

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.

² Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 14 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

South Australian State Emergency Service
Notes to and forming part of the financial statements
for the year ended 30 June 2017

29 Financial risk management/financial instruments (continued)

29.4 Credit risk

SES has minimal concentration of credit risk. SES has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. SES 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 SES.

29.5 Market risk

SES has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). SES's exposure to market risk and cash flow interest risk is minimal. There is minimal exposure to foreign currency or other price risks.

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

30 Trust funds

	2017	2016
	\$'000	\$'000
Cash at bank	439	350
Total trust fund	439	350

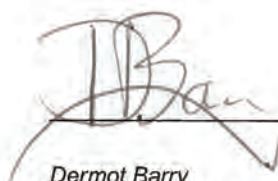
The trust funds represent funds held by the Australian Council of State Emergency Services. The funds will be utilised to meet expenses incurred by each of the State Emergency Services Headquarters in Australia. SES will administer these funds until they are fully expended. In 2016-17, total income earned by the Council was \$0.080 million and expenses incurred totalled \$0.001 million.

South Australian State Emergency Service Certification of the Financial Statements

We certify that the attached general purpose financial statements for the South Australian State Emergency Service:

- 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 South Australian State Emergency Service; and
- present a true and fair view of the financial position of the South Australian State Emergency Service 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 South Australian State Emergency Service for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Dermot Barry
Deputy Chief Officer

per Chris Beattie
Chief Officer
South Australian State Emergency Service
September 2017



Silvana Di Ciocco
Business Manager
South Australian State Emergency Service
15 September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chief Officer South Australian State Emergency Service

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 120(2) of the *Fire and Emergency Services Act 2005*, I have audited the financial report of the South Australian State Emergency Service 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 South Australian State Emergency Service 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 Deputy Chief Officer and the Business Manager.

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 South Australian State Emergency Service. 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 Officer for the financial report

The Chief 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

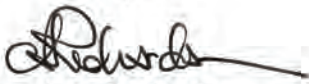
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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 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 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

21 September 2017

South Australian Superannuation Board

Financial report
for the year ended
30 June 2017

South Australian Superannuation Board

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Administration expenses	4	27 258	20 266
Other expenses	5	16	137
Total expenses		27 274	20 403
Income			
Fees and charges	6	18 545	17 168
Interest revenues	7	105	260
Total income		18 650	17 428
Total comprehensive result	11	(8 624)	(2 975)

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
Current assets			
Cash and cash equivalents	8	732	14 828
Receivables	9	1 064	591
Non current assets			
Loan Receivable	9, 17	541	533
Total assets		2 337	15 952
Current liabilities			
Payables	10	17	5 008
Total liabilities		17	5 008
Net assets		2 320	10 944
Equity			
Retained earnings	11	541	533
Reserves	11	1 779	10 411
Total Equity		2 320	10 944

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

South Australian Superannuation Board

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Note	Retained earnings \$'000	Reserves \$'000	Total \$'000
Balance at 30 June 2015		524	13 395	13 919
Total comprehensive result for 2015-16		(2 975)	-	(2 975)
Transferred to reserves		2 984	(2 984)	-
Balance at 30 June 2016		533	10 411	10 944
Total comprehensive result for 2016-17		(8 624)	-	(8 624)
Transferred from reserves		8 632	(8 632)	-
Balance at 30 June 2017	11	541	1 779	2 320

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash outflows			
Administration expenses paid		(35 867)	(18 764)
Other expenses		(17)	(153)
GST paid to the ATO		-	(234)
Cash (used in) operations		(35 884)	(19 151)
Cash inflows			
Interest received		114	253
Fees and charges paid		20 655	18 890
GST recovered from the ATO		1 019	-
Cash generated from operations		21 788	19 143
Net cash (used in)/provided by operating activities	13	(14 096)	(8)
Net (decrease)/increase in cash and cash equivalents		(14 096)	(8)
Cash and cash equivalents at the beginning of the period		14 828	14 836
Cash and cash equivalents at the end of the period	8, 13	732	14 828

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

South Australian Superannuation Board

Note 1 Objectives and funding

a) Objectives of the South Australian Superannuation Board

The South Australian Superannuation Board (the Board) was established under Section 6 of the *Superannuation Act 1988* (the Act) and is responsible to the Minister for Finance for all aspects of the administration of the Act (Pension and Lump Sum schemes), and the *Southern State Superannuation Act 2009* (Triple S Scheme, Flexible Rollover Product and Income Stream), except for investment matters relating to the schemes and products. Under clause 2(1)(d) of Schedule 3 of the Act, the Treasurer declared that the Board act as Trustee of the SA Ambulance Service Superannuation Scheme and be responsible for administering the Trust Deed and Rules.

The Act provides that the Board may make use of the staff or facilities of an administrative unit of the SA Public Sector. The State Superannuation Office, a branch of the Department of Treasury and Finance, provides administrative services to the Board. The State Superannuation Office adopts the "Super SA" name as administrator of the Board schemes and products. The superannuation legislation also provides for the Board to charge administration costs.

The Board is responsible for payment of the Service Level Agreement (SLA) Fee to the Department of Treasury and Finance for costs incurred in the administration of the schemes and products. This amount is then recouped from the various schemes and products as per the SLA.

The Board has carefully considered anticipated future expenditure and sets aside money to cover expected future specific costs.

Note 2 Significant accounting policies

a) Statement of compliance

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

The Board has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Board is a not-for-profit entity. Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2017. Refer to Note 3.

b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency, the Accounting Policy Statements require the following note disclosures, which have been included in this financial report:
 - revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. A threshold of \$100,000 for separate identification of these items applies.
 - board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Board's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention except as otherwise noted.

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

South Australian Superannuation Board

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

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

c) Comparative information

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

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

Where applicable, the restated comparative amounts do not replace the original financial statements for the preceding period.

d) Rounding

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

e) Taxation

The Board is not subject to income tax. The Board was first registered for Goods and Services Tax (GST) in 2015-16 and GST is recoverable and payable to the Australian Taxation Office (ATO).

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

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

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

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

f) Events after the reporting period

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

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

g) Income and expenses

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

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

The following are specific recognition criteria:

Income

Fees and charges are derived from the recovery of administration fees from the superannuation schemes and products which the Board administers. Revenue is recognised when earned.

South Australian Superannuation Board

Interest comprises of the interest received on the loan to the Minister for Finance and cash held in the Board's Deposit Account, with the Treasurer, which receives interest at the applicable SA Government rate. Interest is recognised when it is earned.

Expenses

Administration expenses are the payment of the administration fees to the Department of Treasury and Finance for the provision of services to the Board. This expense is recognised upon delivery of the service.

h) Current and non-current classification

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

i) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes deposits held in a Deposit Account held with the Treasurer.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consists of cash and cash equivalents as outlined above.

Cash is measured at nominal value.

j) Receivables

Receivables include amounts owing from services provided prior to the end of the reporting period that are unpaid at the end of the reporting period. Receivables include all amounts not received relating to the normal operations of the Board.

Refer to note 17 regarding the Loan Receivable.

k) Payables

Payables include creditors and accrued expenses.

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

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

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received, as per Treasurer's Instruction 11.

Note 3 New and revised accounting standards and policies

The Board did not voluntarily change any of its accounting policies during 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. The Board has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Board.

South Australian Superannuation Board

Note 4 Administration expenses

	2017	2016
	\$'000	\$'000
Administration fees	17 801	18 230
ICT Projects	9 457	2 036
Total administration expenses	27 258	20 266

Note 5 Other expenses

	2017	2016
	\$'000	\$'000
Other expenses ⁽ⁱ⁾	16	137
Total other expenses	16	137

- (i) Other expenses includes amounts paid (or payable) which relate to the Auditor-General's Department work performed under the PFAA. No other services were provided by the Auditor-General's Department. GST exclusive Audit fees for the Board were \$16,000 (2016: \$15,000).

Note 6 Fees and charges

	2017	2016
	\$'000	\$'000
Recovery of administration fees	18 545	17 168
Total fees and charges	18 545	17 168

Note 7 Interest revenues

	2017	2016
	\$'000	\$'000
Deposit Account held with the Treasurer	97	251
Loan to Southern Select Super Corporation ⁽ⁱ⁾	8	9
Total interest revenues	105	260

- (i) Refer note 17

Note 8 Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Cash at bank	732	14 828
Total cash and cash equivalents	732	14 828

Interest Rate Risk

Cash at bank, which represents deposits held with the Treasurer, earns a floating interest rate, based on the daily bank deposit rate. The carrying amount of cash and cash equivalents represents fair value.

South Australian Superannuation Board

Note 9 Receivables

	2017	2016
	\$'000	\$'000
Current Receivables		
GST input tax recoverable	297	554
Sundry debtors	750	20
Audit fee recovery	17	17
Total Current Receivables	<u>1 064</u>	<u>591</u>
Non-Current Receivables		
Loan Receivable ⁽ⁱ⁾	<u>541</u>	<u>533</u>
Total Non-Current Receivables	<u>541</u>	<u>533</u>
Total receivables	<u>1 605</u>	<u>1 124</u>

All current receivables will be settled within 12 months of the reporting date.

(i) Refer note 17

Note 10 Payables

	2017	2016
	\$'000	\$'000
Audit fee payable	17	17
Administration fees payable	-	2 751
ICT Projects fees payable	<u>-</u>	<u>2 240</u>
Total payables	<u>17</u>	<u>5 008</u>

All payables are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Note 11 Retained earnings and reserves

	Opening Balance \$'000	Total Comprehensive Result \$'000	Transfers From Reserve \$'000	2017 \$'000	2016 \$'000
Retained Earnings	<u>533</u>	<u>(8 624)</u>	<u>8 632</u>	<u>541</u>	<u>533</u>
Reserves	Opening Balance \$'000	Transfers To Reserve \$'000	Transfers From Reserve \$'000	2017 \$'000	2016 \$'000
General Reserve ⁽ⁱ⁾	10 411	-	(8 632)	1 779	10 411
Total Reserves	<u>10 411</u>	<u>-</u>	<u>(8 632)</u>	<u>1 779</u>	<u>10 411</u>

- (i) The *General Reserve* was established in December 2013. The funding was received by transferring the 31 December 2013 balances of the *Board Election Reserve*, *Office Administration Reserve* and the *Capital and Development Reserve* into the *General Reserve*. The Transfers from Reserve amount represents ICT Projects expenditure and is partially offset by SLA fee under expenditure and interest allocated from July 2016 to June 2017.

The purpose of the *General Reserve* is to account for under and over spend in office expenditure, to provide for project expenditure as required from time to time and to provide funding for the triennial Board Election.

South Australian Superannuation Board

Note 12 Related parties

The South Australian Superannuation Board is a statutory authority and is wholly owned and controlled by the crown.

Related parties of the South Australian Superannuation 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

The key management personnel of the South Australian Superannuation Board include the Minister for Finance, the governing board members and the General Manager, State Superannuation Office who have responsibility for the strategic direction and management of the South Australian Superannuation Board.

The compensation detailed below excludes salaries and other benefits the Minister for Finance receives as their 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). The General Manager, State Superannuation Office is compensated through the Department of Treasury and Finance so their compensation is also not included below.

The South Australian Superannuation Board

Annette Hurley (Presiding Member - Appointed 09/09/16)
Virginia Deegan (Re-appointed 23/07/15)
Richard Dennis (Appointed 08/09/16)
Bill Griggs (Re-elected 2/10/15)
Jan McMahon (Re-elected 2/10/15)
Aaron Chia (Deputy Member - Re-appointed 11/11/15)
Liz Hlipala (Deputy Member - Re-appointed 23/07/15)
Leah York (Deputy Member - Re-appointed 11/11/15)
John Wright (Deputy Member - Re-appointed 8/09/16)
Philip Jackson (Presiding Member - Appointed 09/09/13; Term of appointment expired 08/09/16)

The South Australian Superannuation Board Audit, Risk and Finance Committee

Virginia Deegan (Convenor)
Annette Hurley (Presiding Member)
John Wright
Philip Jackson (Term of appointment expired 08/09/16)

The South Australian Superannuation Board Member Services Committee

Jan McMahon (Convenor of Meetings)
Leah York
Bill Griggs
John Montague

Compensation

	2017 \$'000
Salaries and other short-term employee benefits	162
Total	162

Transactions with Key Management Personnel and other related parties

There were no transactions to disclose for key management personnel or related parties.

Significant transactions with government related entities

There were no significant transactions with government entities other than those disclosed elsewhere in the financial statements.

South Australian Superannuation Board

Note 13 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	<u>732</u>	14 828
Balance as per the Statement of Cash Flows	<u>732</u>	14 828
Reconciliation of total comprehensive result to net cash provided by operating activities:		
Total comprehensive result	(8 624)	(2 975)
Movement in operational assets and liabilities		
(Increase) in receivables	(481)	(557)
(Decrease)/Increase in payables	<u>(4 991)</u>	3 524
Net cash (used in) operating activities	<u>(14 096)</u>	(8)

Note 14 Financial Instruments

The Board holds all cash in a Deposit Account with the Treasurer which receives interest at the applicable SA Government rate. The Board's current receivables and payables are non-interest bearing, while its Loan Receivable is interest bearing. There are no fair value differences as carrying values approximate fair value and there is minimal exposure to interest rate or market risk due to the nature of the financial assets and liabilities held.

The Board does not have any assets that are past, due or impaired and credit risk is limited to the Southern Select Corporation Loan Arrangement (Refer Note 17).

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

Note 15 Transactions with SA Government

	SA Government		Non-SA Government		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total Expenses	27 274	20 275	-	128	27 274	20 403
Total Income	18 650	17 428	-	-	18 650	17 428
Receivables	1 308	570	297	554	1 605	1 124
Payables	17	5 008	-	-	17	5 008

Note 16 Events after the reporting period

There were no significant events after the reporting period.

South Australian Superannuation Board

Note 17 Southern Select Corporation Loan Arrangement

At the 8 June 2012 Board meeting, the Board agreed to provide funding of \$500,000 from its then Capital and Development Reserve account for the purpose of establishing a new fund; Super SA Select (the Fund).

The terms of the loan are set out in Schedule 2 of the *Public Corporations (Southern Select Super Corporation) Regulations 2012* (the Regulations) and the tri-partite Funding Deed between the Board, the Minister for Finance and the Southern Select Super Corporation (the Trustee). The Funding Deed was executed on 28 June 2013 with a drawdown date of 5 July 2013.

The repayment of the loan by the Trustee from the Fund, together with interest, will be in accordance with Schedule 2 of the Regulations. If at the end of the financial year the Fund has a net surplus, defined as Net Assets exceeding Liability for Accrued Benefits Allocated to Members' Accounts, the interest receivable in that year must be received on or before 31 July of the following financial year. If the Fund does not have a net surplus at the end of the financial year, the interest receivable for that year will be capitalised into the principal amount receivable. At the end of 2016-17 the Fund did not have a net surplus, therefore the amount of interest capitalised into the principal amount receivable was \$8,000 (2016 \$9,000).

Principal repayments are required when administration fees charged to members of the Fund for the financial year exceed the cost of the administration of the Fund (other than investment management charges). For 2016-17 there was no principal repayment required (refer to the Fund's Financial Report) (2016 Nil).

Note 18 ICT Solution Project

The Office utilises a range of different Information and Communications Technology (ICT) systems to administer its superannuation schemes. The ICT systems currently in use are nearing end-of-life. They also present escalating integration complexities and resource efforts associated with each application's ongoing administration.

The Office established the ICT Solution Project to identify, procure and implement a Commercial-off-the-shelf superannuation administration ICT system that addresses the above limitations by replacing existing legacy ICT systems and expanding the current functionality.

DST Bluedoor Pty Limited was engaged as the preferred respondent for the implementation of the new ICT System which is being overseen and governed by the Super SA Board.

The ICT Solution Project officially commenced in February 2016 and will be implemented in two phases. All schemes and functionality is scheduled to be implemented during 2018.

The funding for the implementation of the project is apportioned across all schemes based on membership. The Board administered schemes will provide funding via the General Reserve, Triple S Insurance Reserve, Triple S Administration Reserve and the Retirement Investment Fund Administration Reserve.

The Board's ICT Project Costs (refer to note 4) reflect the reimbursement of ICT Solution Project costs incurred by the Department of Treasury and Finance. In accordance with the Department of Treasury and Finance policies, the intangible assets – work in progress is recognised in their financial report as at 30 June 2017.

South Australian Superannuation Board

Certification of the financial statements

We certify that the attached general purpose financial statements for the South Australian Superannuation Board (the Board):

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

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



John Montague
GENERAL MANAGER
STATE SUPERANNUATION OFFICE



Annette Hurley
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Mark Carpinelli
MANAGER FINANCIAL SERVICES
STATE SUPERANNUATION OFFICE

Date 15/09/2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Presiding Member South Australian Superannuation Board

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the South Australian Superannuation 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 South Australian Superannuation 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 Presiding Member of the South Australian Superannuation Board, General Manager, State Superannuation Office and the Manager, Financial Services, State Superannuation Office.

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 South Australian Superannuation 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 General Manager, State Superannuation Office and the members of the South Australian Superannuation Board for the financial report

The General Manager, State Superannuation Office 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 South Australian Superannuation Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

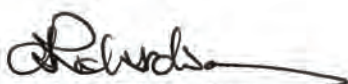
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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 General Manager, State Superannuation Office
- 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 General Manager, State Superannuation Office and the Presiding Member of the South Australia Superannuation 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

South Australian Superannuation Scheme

Financial report
for the year ended
30 June 2017

South Australian Superannuation Scheme

Statement of Financial Position

As at 30 June 2017

	Note	2017 \$000	2016 \$000
Assets			
Cash and cash equivalents		5 725	4 014
Contributions receivable	5	1 058	917
Receivables	6	3 096	5 890
Investments			
Cash Investments		80 456	129 615
Inflation Linked Securities A		225 260	277 908
Property A		744 096	679 876
Australian Equities A		1 279 971	1 138 324
International Equities A		1 295 035	1 145 729
Long Term Fixed Interest		24 998	133 694
Short Term Fixed Interest		9 544	10 833
Diversified Strategies Growth A		570 616	518 480
Diversified Strategies Income		759 242	745 392
Socially Responsible		2 069	3 143
Total assets		5 001 166	4 793 815
Liabilities			
Benefits payable		16 796	18 685
Payables	9	103	894
Total liabilities excluding member benefits		16 899	19 579
Net assets available for member benefits	18	4 984 267	4 774 236
Member benefits			
Defined benefit member liabilities	4	9 204 894	9 422 495
Defined contribution member liabilities	3	656 776	641 491
Total member benefits		9 861 670	10 063 986
Total net assets/(liabilities)		(4 877 403)	(5 289 750)
Equity			
Defined benefits that are (under) funded		(4 877 403)	(5 289 750)
Total equity		(4 877 403)	(5 289 750)

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

Income Statement

For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
Changes in investments measured at fair value		603 603	213 969
Interest		96	121
Total revenue		603 699	214 090
Investment expenses	10	38 859	33 645
Higher education expense	13	9 019	9 094
Administration expenses	11	2 699	2 339
Total expenses		50 577	45 078
Result from superannuation activities		553 122	169 012
Net change in defined benefit member liabilities		61 522	23 106
Allocation to defined contribution members accounts		(202 297)	(150 599)
Net operating result		412 347	41 519

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

South Australian Superannuation Scheme

Statement of Changes in Member Benefits For the year ended 30 June 2017

	Note	Defined Benefit Members \$000	Defined Contribution Members \$000	Total \$000
Opening balance as at 1 July 2016		9 422 495	641 491	10 063 986
Contributions for Past Service Liability	14	392 373	-	392 373
Employer contributions	15	49 198	-	49 198
Public Authority employer contributions		36 875	-	36 875
Member contributions		1 692	15 691	17 383
Transfers from other super entities		46	804	850
Government co-contributions		1	32	33
Net contributions		480 185	16 527	496 712
Benefits to members (benefits paid and payable)		(636 264)	(203 539)	(839 803)
Net benefits allocated, comprising:				
Net investment income		493 409	71 431	564 840
Net administration expenses		(11 356)	(362)	(11 718)
Net change in member liabilities		(543 575)	131 228	(412 347)
Closing balance as at 30 June 2017		9 204 894	656 776	9 861 670

	Note	Defined Benefit Members \$000	Defined Contribution Members \$000	Total \$000
Opening balance as at 1 July 2015		9 627 177	671 176	10 298 353
Contributions for Past Service Liability	14	353 254	-	353 254
Employer contributions	15	56 739	-	56 739
Public Authority employer contributions		37 449	-	37 449
Member contributions		2 352	17 067	19 419
Transfers from other super entities		190	1 176	1 366
Government co-contributions		1	35	36
Net contributions		449 985	18 278	468 263
Benefits to members (benefits paid and payable)		(631 561)	(198 562)	(830 123)
Net benefits allocated, comprising:				
Net investment income		156 663	23 782	180 445
Net administration expenses		(11 121)	(312)	(11 433)
Net change in defined benefit member liabilities		(168 648)	127 129	(41 519)
Closing balance as at 30 June 2016		9 422 495	641 491	10 063 986

The Statement of Changes in Member Benefits should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 30 June 2017

	2017 \$000	2016 \$000
(Under) funded benefits opening balance 1 July	(5 289 750)	(5 331 269)
Net operating result	412 347	41 519
(Under) funded benefits closing balance 30 June	(4 877 403)	(5 289 750)

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

South Australian Superannuation Scheme

Statement of Cash Flows For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
Bank interest received		100	123
Higher education expenses		(9 019)	(9 094)
GST Recovered from the ATO		202	142
Administration expenses paid		(2 892)	(2 533)
Net cash flows from operating activities	16	(11 609)	(11 362)
Receipts from the sale of investments from Funds SA		789 858	776 791
Payments to Funds SA for the purchase of investments		(433 406)	(398 686)
Net cash flows from investing activities		356 452	378 105
Employer contributions		49 100	57 522
Past service liability contributions		392 373	354 014
Commonwealth and Public Authorities contributions		39 601	37 001
Member contributions		17 340	19 641
Transfers from other superannuation entities		58	2 158
Pension benefits to members		(617 941)	(611 903)
Benefit payments to members		(223 663)	(226 790)
Net cash flows from financing activities		(343 132)	(368 357)
Net change in cash		1 711	(1 614)
Cash at beginning of the financial period		4 014	5 628
Cash at end of the financial period		5 725	4 014

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

South Australian Superannuation Scheme

Notes to the Financial Statements

1. Objectives and funding

(a) *South Australian Superannuation Scheme*

The South Australian Superannuation Scheme (the Scheme) is a voluntary superannuation scheme which exists pursuant to the *Superannuation Act 1988* (the Act). It previously existed in different forms under various other legislation. The Act provides for superannuation benefits for persons employed by the South Australian Government and other prescribed persons and makes provisions for the families of such persons. It is not available to Members of Parliament, the judiciary or to police officers who are each provided for under separate legislation.

Contributors to the Scheme may be either old scheme contributors, who are entitled to a pension based benefit, or new scheme contributors who are entitled to a lump sum based benefit. The old scheme contributors segment of the Scheme was closed to new members in May 1986. The new scheme contributors segment of the scheme was closed to new members in May 1994.

Contributors make contributions from after tax salary based on a percentage of their salary, with the standard contribution rate being between 5 and 6 percent. Contributors may elect to vary their contribution rate in accordance with section 23 of the Act. A contribution account is maintained for each contributor. If a member ceases to contribute they will be automatically covered by the Southern State Superannuation Scheme (Triple S), to meet the minimum requirements of the Commonwealth legislation. At this point the member will be recognised as a Triple S member and their Scheme account will be maintained to reflect the contribution points previously accrued.

Since October 1989, the Act has required that contributions be paid to the Treasurer, who in turn deposits those contributions into the South Australian Superannuation Fund (the Fund), which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Act requires the Fund to be treated as being made up of two divisions, being the Old Scheme Division and the New Scheme Division. Each division consists of the contributions and the accretions arising from the investment of those contributions in respect of relevant old or new scheme contributors. Consistent with the accounts of the Fund the accounts of the Scheme are also maintained in respect of each division.

The Scheme is an exempt public sector superannuation scheme and operates on a not for profit basis.

(b) *South Australian Superannuation Board*

The Act charges the South Australian Superannuation Board (the Board), a body corporate, with responsibility for all aspects of the administration of the Act except for the management and investment of the Fund. The Act also provides the Board with the necessary powers to administer the Scheme. The Board has contracted the Department of Treasury and Finance (DTF) to provide administrative services in accordance with the Act. A portion of the administrative costs are recovered from the Scheme. The Board's financial report provides the total administration cost paid to DTF.

Under the Act, the Board is required to determine rates of return to be credited to each division of the Fund, with those rates being credited to each contribution account at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by Funds SA for each division of the Fund.

(c) *Superannuation Funds Management Corporation of South Australia*

Funds SA is a South Australian Government Entity established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Fund and the South Australian Superannuation Scheme Contribution Account (the Account), reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expense contained in this financial report are related to the investment activities of Funds SA.

(d) *Funding arrangements*

Under section 20B of the Act, any payment made to a contributor must be made out of the Consolidated Account or a Special Deposit Account with DTF established for that purpose. The Treasurer may subsequently reimburse the Consolidated Account or Special Deposit Account from the Fund the proportion of any such payment charged against the contributor's contribution account. The prescribed proportion of that payment or benefit payments to be charged to the old scheme contributor's accounts is determined by the Board in accordance with section 47C and 47D of the Act. During the year ended 30 June 2017 all payments were made from the Special Deposit Account. Employer contributions for the year have been made at the rate determined by the scheme actuary.

The Treasurer may also seek reimbursement of the employer portion of any such payments from certain employer bodies under agreements made between the Treasurer and/or the Board and those employer bodies. The employer portion of benefits is met from the Account established by the Treasurer to record employer superannuation contributions. The employer portion of payments may be in relation to State Government Departments, Statutory Authorities and former State Government employees now employed by the Commonwealth Government. Employer contributions for these agencies were 26 percent (2016 26 percent) for old scheme contributors and 14.75 percent (2016 14.75 percent) for new scheme contributors.

South Australian Superannuation Scheme

Funding arrangements (cont.)

Funding for the employer portion of payments met from the Account is from monies deposited under arrangements with respective employers. Monies deposited in the Account are invested and managed by Funds SA but do not form part of the Fund. The Treasurer seeks reimbursement from the Account balances as benefits are paid. The arrangements with employers are:

(i) State government departments

State government departments pay fortnightly employer contributions to the Treasurer for their emerging superannuation liabilities which are deposited by the Treasurer into the Account. During the reporting period \$34.086 million (2016: \$41.444 million) was received or receivable from State Government Departments.

Since 30 June 1994 the Government has commenced a process of funding its accrued past service superannuation liabilities. During the year ended 30 June 2017 the Government transferred a total of \$387.8 million (2016: \$350.0 million) into the Account. Current Government policy is that it will continue to pay contributions to the Account to meet the accrued past service liability so that the liability will be fully funded by 30 June 2034.

(ii) Statutory authorities

Where the employer proportion of a payment relates to Statutory Authorities, three different funding arrangements exist. These arrangements are made by the Board, which has entered into agreements with individual authorities pursuant to section 5 of the Act. The terms agreed in any such arrangements must be approved by the Minister. The three arrangements are:

- ***State government liability for statutory authorities***

These authorities have made arrangements with the Board to fund their emerging superannuation liabilities by making regular payments to the Treasurer based on an actuarial assessment. These monies are deposited in the Account. In addition, the Government has commenced a process of funding the past service superannuation liability for these authorities as outlined in Note 1(d)(i).

- ***Employer contribution accounts***

Certain public sector employers have made arrangements with the Board to fund their superannuation liabilities by making regular payments to the Treasurer based on an actuarial assessment performed every three years. The Treasurer deposits these monies in the Account into what are referred to as the Employer Contribution Accounts. The Treasurer seeks reimbursement from the Employer Contribution Account balances as benefits are paid.

Contributions of \$3.911 million (2016: \$2.592 million) have also been received from SA Water, \$441 000 (2016: \$571 000) from ReturnToWorkSA and \$221 000 (2016: \$91 000) from Forestry SA to fund their accrued superannuation liabilities.

- ***Public authorities accounts (universities)***

Some public authorities make provisions in their own accounts for their future superannuation liabilities and no balances are maintained in the Account. The Treasurer seeks reimbursement from the Account in the first instance and simultaneously seeks reimbursement directly from these authorities as benefits are paid.

Of the total contributions received from Statutory Authorities, \$14.926 million (2016: \$14.683 million) relates to amounts received or receivable from SA Government entities and \$186 000 (2016: \$612 000) relates to amounts received from non-SA Government entities.

The liability for future benefits is funded to the extent of benefits to be reimbursed from the Fund, the Account, and the Public Authorities Accounts referred to in Note 1(d)(ii) above. The liability for future benefits is only partially funded in respect of benefits to be reimbursed from State Government Departments and the State Government liability for Statutory Authorities. The net assets figure shown in this report represents the amount available to meet these future benefits.

2. Significant accounting policies

(a) Basis of accounting

This financial report is a general purpose financial report. The financial statements have been prepared in accordance with relevant Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board, Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*, except as provided below.

This financial report has been prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

This financial report is presented in Australian currency and all amounts have been rounded to the nearest thousand dollars (\$000).

The scheme is a not-for-profit entity for the purpose of preparing financial statements.

South Australian Superannuation Scheme

(b) Adoption of AASB 1056

The Board adopted AASB 1056 *Superannuation Entities* (AASB 1056), applicable for annual reporting periods beginning on or after 1 July 2016.

The adoption of AASB 1056 has resulted in:

- Changes to the presentation format of the financial statements;
- Changes to the measurement of assets and liabilities from 'net market value' to 'fair value', excluding member liabilities, tax assets and liabilities;
- Additional disclosure requirements for assets and liabilities held at fair value as required by AASB 13 Fair Value Measurement;
- Member benefits recognised as liabilities rather than equity; and
- Contributions, rollovers and other inward transfers and benefits paid to members are not in the nature of income or expenses, and are presented in the statement of changes in member benefits.

In accordance with the transitional provisions of AASB 1056, the Scheme has applied the new accounting Standard retrospectively from the start of the comparative period.

The adoption of AASB 1056 had the following impact on the financial statements at the transition date of 1 July 2016 for the year ended 30 June 2016:

Description	As previously reported as at 30 June 2016 \$000	Transition adjustment \$000	Restated balance as at 30 June 2016 \$000
Impact of AASB1056 on statement of financial position			
Investments			
Change in measurement from net market value to fair value			
Australian equities	1 134 445	3 879	1 138 324
International equities	1 140 877	4 852	1 145 729
	2 275 322	8 731	2 284 053
Member benefits			
Member benefits recognised as liabilities rather than equity:			
Defined contribution member liabilities	-	641 491	641 491
Defined benefit member liabilities	-	9 422 495	9 422 495
	-	10 063 986	10 063 986
Equity			
Member benefits recognised as liabilities rather than equity:			
Defined contribution member liabilities	641 491	(641 491)	-
Defined benefit member liabilities	9 422 495	(9 422 495)	-
Member benefits	10 063 986	(10 063 986)	-
Impact of AASB1056 on income statement			
Profit before income tax previously reported	32 788	-	32 788
Change in measurement from net market value to fair value:			
Changes in investments measured at fair value	-	8 730	8 730
Contributions, rollovers and other inward transfers and benefits paid to members are transferred to the statement of changes in member benefits:			
Contributions for past service liability	-	(353 254)	(353 254)
Employer contributions	-	(56 739)	(56 739)
Member contributions	-	(19 419)	(19 419)
Transfers from other superannuation funds	-	(1 366)	(1 366)
Commonwealth and public debtors	-	(37 449)	(37 449)
Benefits paid to members/beneficiaries	-	595 721	595 721
Operating activities	32 788	136 224	169 012
Benefits allocated to members accounts	-	(127 493)	(127 493)
Net operating result	32 788	8 731	41 519

(c) New accounting standards and interpretations

The Board applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 July 2016. The nature of each new standard or amendment (or both) is described below. Apart from AASB 1056, the adoption of these standards and amendments has not had any significant financial impact on the financial statements.

South Australian Superannuation Scheme

Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Scheme for the annual reporting period ended 30 June 2017. The impact of these standards and interpretations has been assessed and to the extent applicable to the Scheme are outlined in the table below. Standards and Interpretations that are not expected to have a material impact on the Scheme have not been included.

Ref	Title	Application Date	Impact on Fund financial report
AASB 2016-1	Amendments to Australia Accounting Standards – recognition of deferred tax assets for unrealised losses	1 July 2017	No significant impact
AASB 2016-2	Amendments to Australia Accounting Standards – disclosure initiative – amendments to AASB107	1 July 2017	No significant impact
AASB 2017-2	Amendments to Australia Accounting Standards – further annual improvements 2014-2016 cycle	1 July 2017	No significant impact
AASB 9 and relevant amending standards	Financial Instruments	1 July 2018	No significant impact

(d) Financial assets and liabilities

(a) Classification

The Scheme classifies its financial assets and financial liabilities into the categories below in accordance with AASB 139.

Financial assets and liabilities held for trading

These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into by the Scheme, if any, do not meet the hedge accounting criteria as defined by AASB 139. Consequently hedge accounting is not applied by the Scheme.

Financial instruments designated at fair value through profit or loss upon initial recognition

These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund.

Other financial liabilities

This category includes all financial liabilities, other than those classified at fair value through profit or loss. Other financial liabilities are measured at their nominal amounts. Amounts are generally settled within 30 days of being recognised as other financial liabilities. Given the short-term nature of other financial liabilities, the nominal amount approximates fair value.

(b) Recognition

The Scheme recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Scheme commits to purchase or sell the asset.

(c) Initial recognition

Financial assets and financial liabilities at fair value through profit and loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in the income statement.

Receivables and financial liabilities (other than those classified at fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Scheme recognises the difference in the income statement, unless specified otherwise.

(d) Subsequent measurement

After initial measurement, the Scheme measures investments at fair value through profit or loss. Subsequent changes in the fair value of those investments are recorded as 'changes in assets measured at fair value' through the income statement. Interest earned is recorded in 'Interest revenue'.

(e) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Scheme.

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The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Scheme uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy.

(f) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

(g) Receivables and payables

Receivables are carried at nominal amounts due that approximate fair value. Receivables are normally settled within 30 days. Payables are carried at nominal amounts that approximate fair value. They represent liabilities for goods and services provided to the Scheme prior to the end of the financial year that are unpaid when the Scheme becomes obliged to make future payments in respect of the purchase of these goods or services.

(h) Benefits payable

Benefits payable are valued at fair value and relate to members who have ceased employment and provided the Scheme with appropriate notification on or prior to 30 June 2017 but paid after 30 June 2017. These also include pension payments payable on or prior to 30 June 2017 but paid after 30 June 2017.

(i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Scheme and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised:

Changes in fair values

Changes in the fair value of investments invested with Funds SA are calculated as the difference between the fair value at sale, or at balance date, and the fair value at the previous valuation point. All changes are recognised in the income statement.

Interest

Interest revenue on cash and other financial assets carried at fair value is recorded according to the terms of the contract and recognised in the income statement.

(j) Taxation

The Scheme is a constitutionally protected superannuation fund in terms of Section 295-15 of the *Income Tax Assessment Act 1997*, Regulation 995-1.04 (Schedule 4) and is exempt from income tax. Therefore no income tax has been brought to account in this financial report.

(k) Goods and services tax (GST)

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

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; or
- When 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. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

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

(l) Foreign currency

The functional and presentation currency of the Scheme is Australian dollars, which is the currency of the primary economic environment the Scheme operates. The Scheme's performance is evaluated and its liquidity managed in Australian dollars. Therefore, the Australian dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

(m) Investments

Funds SA provides investments measured at fair value. Below is the basis for valuation of these investments.

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(i) Inflation Linked Securities A

The Inflation Linked Securities portfolio invests in discretely managed portfolios and internal inflation linked securities. Discretely managed portfolios are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date.

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

(ii) Property A

The Property A portfolio comprises two sub-sectors:

Listed property trusts

These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this sub-sector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

Unlisted property vehicles

The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian Equities A

The Australian Equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International Equities A

The International Equities A portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) Short Term and Long Term Fixed Interest

The Short Term and Long Term Fixed Interest portfolios have exposure to domestic and global debt instruments and is managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified Strategies Growth A

The Diversified Strategies Growth A portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2015). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies Income

The Diversified Strategies Income portfolio comprises investments in discretely managed investments and Australian and international pooled funds, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) Cash

Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(ix) Socially Responsible Investment

The Socially Responsible Investment portfolio comprises an externally managed pooled vehicle (unlisted unit trust). The valuation is performed and supplied by the relevant fund manager.

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(n) Operation of Investment Portfolio

Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA (refer Note 1 (c)). Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2017, Funds SA managed eight distinct investment options each differing by strategic asset allocation:

- High Growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital Defensive
- Cash
- Socially Responsible Investment.

During the financial year all of the above investment options were available to members for assets invested in the South Australian Superannuation Fund Account (New Scheme Division). The assets of the South Australian Superannuation Fund Account (Old Scheme Division) and the South Australian Superannuation Scheme Contribution Account are invested in the Defined Benefit option.

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

(o) Member liabilities

Member liabilities are measured at the amount of accrued benefits.

Defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at that date when they are expected to fall due.

Defined contribution member liabilities are measured as the amount of member account balances as at the reporting date.

(p) Significant accounting judgements, estimates and assumptions

The preparation of the Scheme's financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The significant accounting policies have been consistently applied in the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been presented to be consistent with current period disclosures.

Fair value of investments

When the fair values of the investments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including a discounted cash flow model. The inputs in these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required to establish fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of these investments.

Valuation of defined benefits member liabilities

The amount of member liabilities in relation to defined benefits has been determined using actuarial valuation techniques and assumptions. An actuarial valuation involves making various assumptions about the future. Actual developments in the future may differ from these assumptions. The assumptions include member turnover, future investment returns, pension indexation rates, mortality rates and future salary increases. Due to the complexities involved in the valuation and its long term nature, defined benefit member liabilities are highly sensitive to changes in these assumptions. Assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, the actuary considers an investment portfolio that reflects the opportunities reasonably available to the Scheme in the investment markets, and also reflects the Scheme's actual investments and investment strategy in respect of defined benefit member liabilities.

The mortality assumption is based on publicly available mortality tables. Future salary increases are based on the Wage Price Index produced by the Australian Bureau of Statistics and in consultation with the employer-sponsors.

3. Defined contribution member liabilities

The employee funded, defined contribution component for new scheme contributors has an accrued liability that is the balance of the employees' contribution accounts as at the end of the financial year. These accounts are valued using unit prices that are determined by the underlying investment movements.

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Defined contribution members bear the investment risk relating to the underlying assets and unit prices used to measure the member liabilities. Unit prices are updated twice weekly.

Refer to Note 17 for the Scheme's management of the investment risks.

4. Defined benefit member liabilities

The Scheme engages Ms Catherine Nance, Fellow of the Institute of Actuaries of Australia from PricewaterhouseCoopers to measure the defined benefits members' liabilities and the employer funded defined benefit component in respect of new scheme contributors. The Scheme has no information that would lead to adjustments to the assumptions, and which are all unchanged from the previous reporting period.

The actuarial valuation of member liabilities reflects the actuarial assessment of the benefits accrued up to the reporting date and payable to members on retirement, resignation, death and disability. For the old scheme contributors and the employer funded defined benefit component in respect of new scheme contributors, the accrued liabilities are the present values of expected future benefit payments arising from membership of the Scheme up to 30 June 2017.

The expected future benefit payments have been determined using the 2016 triennial review assumptions relating to mortality, disability, withdrawal, preservation and retirement. Henceforth, the actuarial valuation of member liabilities of the South Australian Superannuation Scheme will be undertaken annually, as the end of each financial year.

The key assumptions used to determine the values of accrued benefits were:

- The future rate of investment earnings (net of investment taxes and fees): 7.0 percent per annum (2016: 7.0 %);
- The future rate of salary growth: 4.0 percent per annum (2016: 4.0%); and
- Long term inflation (CPI): 2.5 percent per annum (2016: 2.5%).

The defined benefit members' liabilities have changed in the current financial year as a result of salary increases and additional service accrual. Note, the defined contribution values are included in the tables below for comparison.

	2017			2016		
	Defined Benefit	Defined Contribution	Total	Defined Benefit	Defined Contribution	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Member liabilities	9 204 894	656 776	9 861 670	9 422 495	641 491	10 063 986
	9 204 894	656 776	9 861 670	9 422 495	641 491	10 063 986

	2017			2016		
	Old Scheme	New Scheme	Total	Old Scheme	New Scheme	Total
	\$000	\$000	\$000	\$000	\$000	\$000
SA Superannuation Fund	1 147 745	656 776	1 804 521	1 175 178	641 491	1 816 669
SA Superannuation Scheme contribution a/c:						
Employer contribution accounts	1 207 195	352 463	1 559 658	1 228 526	370 847	1 599 373
SA Government employer account	5 503 587	685 280	6 188 867	5 644 006	685 548	6 329 554
Public authorities	301 160	7 464	308 624	309 168	9 222	318 390
	8 159 687	1 701 983	9 861 670	8 356 878	1 707 108	10 063 986

The Board has a number of steps in place to manage the risks associated with the defined benefits. The Board has appointed external consulting actuaries to advise on the risks, including establishing suitable funding objectives.

The Board also uses sensitivity analysis to monitor the potential impact of changes to key variables about which assumptions need to be made. The Scheme has identified two assumptions (being the discount rate and the rate of salary adjustment) for which changes are reasonably possible that would have a material impact on the amount of the defined benefit member liabilities.

The assumed discount has been determined by reference to the investment returns expected on an investment portfolio that reflects the opportunities reasonably available to the Scheme in the investment markets, and also reflects the Scheme's actual investments and investment strategy in respect of defined benefit member liabilities.

The other variables about which assumptions have been made in measuring defined benefit member liabilities and for which changes are not considered reasonably possible, or for which reasonably possible changes would not be expected to have a material effect, include: pension indexation rates, mortality rates and resignations. The following table outlines the defined benefit liability sensitivity estimates provided by the scheme actuary on the discount rate, salary increase rate and pension increase rate ^(a).

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Scenario	Member Liability result \$000	Change in member benefit liability \$000	Change in member benefit liability %
Base Case	9 205		
Discount rate plus 0.5%	8 823	(382)	(4.1)
Discount rate less 0.5%	9 618	413	4.5
Salary increase rate plus 0.5%	9 239	34	0.4
Salary increase rate less 0.5%	9 172	(33)	(0.4)
Pension increase rate plus 0.5%	9 602	397	4.3
Pension increase rate less 0.5%	8 836	(369)	(4.0)

^(a) Excludes Lump Sum Scheme accumulation liabilities

The SA Government is responsible for funding the SA Government Employer Account and part of the Employer Contribution Accounts. The remaining liability includes the members fund, commercial entities and the Commonwealth share of the universities.

Vested benefits

	2017			2016		
	Old Scheme \$000	New Scheme \$000	Total \$000	Old Scheme \$000	New Scheme \$000	Total \$000
SA Superannuation Fund	1 149 580	656 776	1 806 356	1 177 104	641 491	1 818 595
SA Superannuation Scheme contribution a/c:						
Employer contribution accounts	1 213 697	388 618	1 602 315	1 235 548	407 815	1 643 363
SA Government employer account	5 507 573	771 587	6 279 160	5 647 716	767 887	6 415 603
Public authorities	301 247	8 109	309 356	309 654	9 911	319 565
	8 172 097	1 825 090	9 997 187	8 370 022	1 827 104	10 197 126

Vested benefits are only available by the Old Scheme/New Scheme disaggregation. Vested benefits are benefits that are not conditional upon continued membership of the Scheme, or any factor other than resignation from the Scheme. Vested Benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date.

5. Contributions receivable

	2017 \$000	2016 \$000
Member contributions receivable	254	211
Employer contributions receivable	804	706
	1 058	917

6. Receivables

	2017 \$000	2016 \$000
Interest receivable	7	10
Benefit repayments	431	444
GST recoup from ATO	52	59
Overpaid pensions	8	15
Prepaid benefits	21	58
Public authorities	2 529	5 232
Temporary disability	48	72
	3 096	5 890

7. Fair value of financial instruments

Classification of financial Instruments under the fair value hierarchy

AASB 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the

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asset or liability. The following table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Valuations are the responsibility of the Board. The valuation of investments is performed on a twice weekly basis and are subject to quality assurance procedures.

After the checks above have been performed the Board considers the valuation results, including assumptions used in the valuations.

The Board also considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods are applied to support the valuation arising from the method chosen.

Valuation technique

The Scheme's investments are not quoted in an active market. The Scheme's investment manager, Funds SA considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the net asset value (NAV) of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the underlying funds and fund managers. In measuring fair value, consideration is also paid to any transactions of a fund. The Scheme classifies these funds as Level 2.

There were no changes in valuation techniques during the year.

Financial assets at fair value through profit or loss - Level 2	2017	2016
Level 1 and level 3 are not relevant to the Scheme	\$000	\$000

Unlisted managed investment schemes		
Funds SA	4 991 287	4 782 993
	<u>4 991 287</u>	<u>4 782 993</u>

8. Movement in the value of investments

	2017	2016
	\$000	\$000
Investments at 1 July	4 782 993	4 980 774
Cash	(49 159)	(47 327)
Inflation Linked Securities A	(52 648)	(82 561)
Property A	64 220	(32 178)
Australian Equities A	141 647	(45 711)
International Equities A	149 307	(120 861)
Long Term Fixed Interest A	(108 696)	33 870
Short Term Fixed Interest	(1 289)	(1 889)
Diversified Strategies Growth A	52 136	37 679
Diversified Strategies Income	13 850	61 409
Socially Responsible	(1 074)	(212)
Change in investments	208 294	(197 781)
Investments at 30 June	4 991 287	4 782 993

9. Payables

	2017	2016
	\$000	\$000
Audit fees	81	79
Rollovers payable	-	792
Health commissions	-	14
Returned benefit payments	21	9
Refund of co-contributions	1	-
	<u>103</u>	<u>894</u>

10. Investment expenses

	2017	2016
	\$000	\$000
Investment expenses	38 859	33 645

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Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment. The 2017 investment expenses increased due mainly to higher performance fees that aligned with investment performance for the year.

11. Administration expenses

	2017 \$000	2016 \$000
Administration expenses ⁽ⁱ⁾	2 594	2 229
Other expenses ⁽ⁱⁱ⁾	105	110
	<u>2 699</u>	<u>2 339</u>

(i) Administration expenses comprises the costs incurred by the Department of Treasury and Finance in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. The Board recovers a share of the administration cost from the Scheme.

(ii) Other expenses include Auditor's remuneration. Refer note 12.

12. Auditors' remuneration

	2017 \$000	2016 \$000
Audit fees paid or payable	75	74
	<u>75</u>	<u>74</u>

Audit fees paid (or payable), GST exclusive, relate to the Auditor-General's Department work performed under the PFAA. No other services were provided by the Auditor-General's Department.

13. Higher education superannuation costs

An amount of \$9.019 million (2016: \$9.094 million) was paid to the Commonwealth Government that related to the South Australian share of the 2017 higher education superannuation costs under the Commonwealth – State agreement. This agreement provides that the employer component of the superannuation benefits payable to former employees of South Australian Universities who were members of one of the main State Schemes, be shared.

14. Contributions for past service liability

	2017 \$000	2016 \$000
SA Government	387 800	350 000
SA Water	3 911	2 592
Workcover	441	571
Forestry SA	221	91
	<u>392 373</u>	<u>353 254</u>

15. Employer contributions

	2017 \$000	2016 \$000
State government departments	34 086	41 444
Statutory authorities – state government entities	14 926	14 683
Statutory authorities – non-state government entities	186	612
	<u>49 198</u>	<u>56 739</u>

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16. Reconciliation of cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2017 \$000	2016 \$000
Cash and cash equivalents	5 725	4 014
Reconciliation of operating result to net cash flows from operating activities		
Net operating result	412 347	41 519
Adjustments for:		
Changes in investments measured at fair value	(603 603)	(213 969)
Investment expenses	38 859	33 645
(Increase) / decrease in receivables	11	(42)
Increase / (decrease) in payables	2	(8)
Allocation to members' accounts	140 775	127 493
Net flows from operating activities	(11 609)	(11 362)

17. Financial instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

I. Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates.

The Scheme's currency risk is managed by Funds SA as investments include assets denominated in foreign currencies.

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

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the international equities asset class are 50 percent hedged to Australian dollars.

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

II. Interest rate risk

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

The Fund's interest rate risk is managed by Funds SA, as investments include fixed interest securities.

Funds SA manages interest rate risk through:

- Ensuring asset allocations of different investment products are consistent with the time horizon of each.
- The use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.
- The Scheme's receivables and payables are non-interest bearing. The carrying amounts of these assets approximate fair value.

III. Other market price risk

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Income Statement, all changes in market conditions will directly affect investment revenue.

The Fund's other market price risk is managed by Funds SA, as investments include financial instruments exposed to market prices.

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

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

IV. Investments sensitivity analysis

The Funds SA Board has determined that its forecast risk/return profile provides a reasonable measure of the sensitivity of the expected returns in each investment asset class. The following tables show the market risk around expected average returns for each asset class.

2017

Investment asset class	Average Return	Market Risk	Potential impact of market risk (+/-) on Income Statement
	%	%	+/- \$000
Cash	3.2	1.3	1 365
Inflation Linked Securities A	3.3	4.0	10 063
Property A	7.9	11.1	79 030
Australian Equities A	8.7	19.7	238 202
International Equities A	9.5	16.7	203 804
Long Term Fixed Interest	3.3	3.8	3 015
Short Term Fixed Interest	3.0	2.7	275
Diversified Strategies Growth A	9.2	16.3	88 761
Diversified Strategies Income	6.6	6.5	48 901

2016

Investment asset class	Average Return	Market Risk	Potential impact of market risk (+/-) on Income Statement
	%	%	+/- \$000
Cash	2.9	1.6	2 452
Inflation Linked Securities A	3.0	4.3	13 725
Property A	7.7	11.0	76 556
Australian Equities A	8.4	19.7	228 752
International Equities A	9.1	16.6	200 222
Long Term Fixed Interest	3.3	3.4	3 970
Short Term Fixed Interest	3.1	3.6	424
Diversified Strategies Growth A	9.5	16.3	81 441
Diversified Strategies Income	6.6	6.3	45 025

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The statistics shown above are averages calculated over 10 years, net of investment management fees and gross of tax. These investment statistics have zero percent tax rate applied and exclude franking credits.

Market risk is a useful historical measure of the variability of returns earned by an investment portfolio. The market risk shown above represents the range at which actual future returns are expected to occur either side of the nominal return approximately two thirds of the time.

The dollar value of the potential impact on the Income Statement arising from the market risk is indicative only. The impacts are not additive across investment asset classes, as each asset class operates in different markets and is subject to different conditions.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets, included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Scheme does not have any assets which are past due or impaired and there is no concentration of credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

For the Scheme's investments, Funds SA manages liquidity risk as follows:

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

For the Scheme itself, the liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

30 June 2017	Less than 3 Months \$000	Total Contractual Cash Flows \$000	Carrying Amount Liabilities \$000
Benefits payable	16 796	16 796	16 796
Payables ⁽ⁱ⁾	22	22	22
Vested benefits ⁽ⁱⁱ⁾	9 997 187	9 997 187	9 997 187
Total	10 014 005	10 014 005	10 014 005
30 June 2016	Less than 3 Months \$000	Total Contractual Cash Flows \$000	Carrying Amount Liabilities \$000
Benefits payable	18 685	18 685	18 685
Payables ⁽ⁱ⁾	815	815	815
Vested benefits ⁽ⁱⁱ⁾	10 197 126	10 197 126	10 197 126
Total	10 216 626	10 216 626	10 216 626

South Australian Superannuation Scheme

- (i) Payable amounts disclosed here exclude amounts relating to statutory payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees).
- (ii) Vested benefits have been included in the "Less than 3 months" column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

(d) Derivative financial instruments

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

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

South Australian Superannuation Scheme

18. Net assets available for member benefits

AASB1056 recommends segregation to distinguish between different member accounts based on risk profile. The defined benefit/defined contribution split is a natural disaggregation arising from the different market risk exposures of these member categories. An alternative disaggregation is the segregation into Old Scheme (Pension Scheme) and New Scheme (Lump Sum). The following net assets table shows the splits across these latter accounts and demonstrates net assets available to pay benefits consisting of the combined balances of the South Australian Superannuation Fund and the South Australian Superannuation Scheme Contribution Account. Movements in the balances of these accounts are detailed below:

	Old Scheme Division \$000	New Scheme Division \$000	Total 2017 \$000	Total 2016 \$000
SA Superannuation Fund Account (employee component)				
Funds held at 1 July	1 426 887	629 153	2 056 039	2 118 225
Contributions	1 692	15 691	17 383	19 419
Rollovers from other schemes	46	804	850	1 366
Changes in investments measured at fair value	183 284	76 263	259 547	92 265
Government co-contributions	1	32	33	36
Bank interest and other revenue	16	13	29	36
	185 040	92 803	277 843	113 122
Benefits paid and payable	89 759	73 384	163 143	160 515
Investment expenses	11 765	4 845	16 610	14 056
Co-contributions transferred to other scheme	1	32	33	36
Administration expenses	450	362	812	701
	101 975	78 623	180 599	175 308
Funds held at 30 June	1 509 951	643 332	2 153 284	2 056 039
SA Superannuation Scheme Contribution Account (employer component)				
			Total 2017 \$000	Total 2016 \$000
Funds held at 1 July			2 718 197	2 848 859
Employer contributions:				
State government departments			34 086	41 444
Statutory authorities			15 112	15 295
Contribution for past service liability			392 373	353 254
			441 571	409 993
Changes in investments measured at fair value			344 056	121 705
Bank interest and other revenue:				
Public authorities			36 822	37 403
Interest received			67	86
Temporary disability			53	46
			822 569	569 233
Benefits paid and payable:				
Old scheme contributors			546 505	542 039
New scheme contributors			130 122	127 535
			676 627	669 574
Investment expenses			22 249	19 589
Higher education superannuation costs			9 019	9 094
Administration expenses			1 888	1 638
			709 783	699 895
Funds held at 30 June			2 830 983	2 718 197
Net assets available for member benefits			4 984 267	4 774 236

19. Segment information

The Scheme operates in one reportable segment, being the provision of benefits to members. The Scheme also operates from one reportable geographic segment, being Australia, from where its activities are managed. While the Scheme operates from Australia only, the Scheme, through its investment managers Funds SA, has investment exposures in different countries and across different industries.

South Australian Superannuation Scheme

20. Related parties

Key management personnel

The key management personnel of the Scheme includes the Minister for Finance, Board members and the General Manager, State Superannuation Office who have responsibility for the strategic direction and management of the Scheme.

Compensation

All key management personnel are compensated by the Department of Treasury and Finance or the Board, therefore their compensation is disclosed in the respective financial reports.

Transactions with key management personnel and other related parties

There were no transactions requiring disclosure for key management personnel or related parties.

Transactions with other government entities

There were no significant transactions with government entities other than those disclosed elsewhere in the financial statements.

21. Events after the reporting period

There were no significant events after the reporting period.

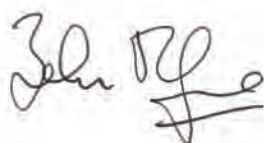
South Australian Superannuation Scheme

Certification of the financial report

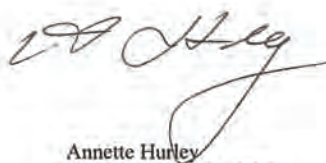
We certify that the attached general purpose financial report for the South Australian Superannuation Scheme:

- complies with any relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*;
- is in accordance with the accounts and records of the Scheme; and
- presents fairly the financial position of the Scheme as at 30 June 2017 and the results of its operation and cash flows for the year then ended on that date, in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia.

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



John Montague
GENERAL MANAGER
STATE SUPERANNUATION OFFICE



Annette Hurley
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Mark Carpinelli
MANAGER FINANCIAL SERVICES
STATE SUPERANNUATION OFFICE

Date 15/09/2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Presiding Member South Australian Superannuation Board South Australian Superannuation Scheme

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 20AB of the *Superannuation Act 1998*, I have audited the financial report of the South Australian Superannuation Scheme 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 South Australian Superannuation Scheme 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 Financial Position as at 30 June 2017
- an Income Statement for the year ended 30 June 2017
- a Statement of Changes in Member Benefits for the year ended 30 June 2017
- 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 Presiding Member of the South Australian Superannuation Board, General Manager, State Superannuation Office and the Manager, Financial Services, State Superannuation Office.

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 South Australian Superannuation Scheme. 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 General Manager, State Superannuation Office and members of the South Australian Superannuation Board for the financial report

The General Manager, State Superannuation Office 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 South Australia Superannuation 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 General Manager, State Superannuation Office

- 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 General Manager, State Superannuation Office and the Presiding Member of the South Australian Superannuation 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

21 September 2017

South Australian Tourism Commission

Financial report
for the year ended
30 June 2017

SOUTH AUSTRALIAN TOURISM COMMISSION
STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$'000	2016 \$'000
EXPENSES			
Employee benefits expenses	5	14 523	13 857
Advertising and promotion	6	33 942	37 430
Industry assistance	7	19 474	9 857
Administration and accommodation	8	7 908	9 344
Event operations	9	39 011	38 042
Depreciation expense	10	1 746	1 896
Net loss from the disposal of non-current assets	11	7	-
TOTAL EXPENSES		116 611	110 426
INCOME			
Sponsorship and participation	12	10 438	10 025
Entry fees, licence fees and sales	13	14 763	15 017
Interest		110	360
Other income	14	1 491	2 016
TOTAL INCOME		26 802	27 418
NET COST OF PROVIDING SERVICES		89 809	83 008
REVENUES FROM SA GOVERNMENT			
Revenues from SA Government	15	89 121	83 101
TOTAL REVENUES FROM SA GOVERNMENT		89 121	83 101
NET RESULT		(688)	93
TOTAL COMPREHENSIVE RESULT		(688)	93

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

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 \$'000	2016 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	16	10 889	10 819
Receivables	17	2 472	1 853
Other current assets	18	22	239
TOTAL CURRENT ASSETS		13 383	12 911
NON-CURRENT ASSETS			
Plant and equipment	19	12 429	13 007
Other non-current assets	18	-	22
TOTAL NON-CURRENT ASSETS		12 429	13 029
TOTAL ASSETS		25 812	25 940
LIABILITIES			
CURRENT LIABILITIES			
Payables	21	4 466	4 258
Other current liabilities	22	1 759	1 519
Employee benefits	23	1 436	1 214
Provisions	24	10	13
TOTAL CURRENT LIABILITIES		7 671	7 004
NON-CURRENT LIABILITIES			
Payables	21	140	131
Other non-current liabilities	22	274	472
Employee benefits	23	1 949	1 859
Provisions	24	15	23
TOTAL NON-CURRENT LIABILITIES		2 378	2 485
TOTAL LIABILITIES		10 049	9 489
NET ASSETS		15 763	16 451
EQUITY			
Contributed capital		64	64
Retained earnings		13 049	13 737
Asset revaluation surplus		2 650	2 650
TOTAL EQUITY	25	15 763	16 451
The total equity is attributable to the SA Government as owner.			
Unrecognised contractual commitments	26		

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	Contributed Capital \$'000	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total Equity \$'000
BALANCE AT 30 JUNE 2015		64	146	1 190	1 400
Net result for 2015-16		-	-	93	93
Total comprehensive result for 2015-16		-	-	93	93
Transactions with SA Government as owner					
Net assets received from an administrative restructure		-	2 504	12 454	14 958
BALANCE AT 30 JUNE 2016		64	2 650	13 737	16 451
Net result for 2016-17		-	-	(688)	(688)
Total comprehensive result for 2016-17		-	-	(688)	(688)
BALANCE AT 30 JUNE 2017	25	64	2 650	13 049	15 763
All changes in equity are attributed to the SA Government as owner.					

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

		2017	2016
		Inflows	Inflows
		(Outflows)	(Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH OUTFLOWS			
Employee benefits payments		(14 180)	(13 614)
Payments for supplies and services		(106 719)	(100 347)
Payments for Paid Parental Leave scheme		(62)	(80)
CASH USED IN OPERATIONS		(120 961)	(114 041)
CASH INFLOWS			
Receipts from the sale of goods and services		27 877	27 180
Interest received		110	360
GST recovered from the ATO		5 036	5 371
Receipts for Paid Parental Leave scheme		62	80
CASH GENERATED FROM OPERATIONS		33 085	32 991
CASH FLOWS FROM SA GOVERNMENT			
Receipts from SA Government		89 121	83 101
CASH GENERATED FROM SA GOVERNMENT		89 121	83 101
NET CASH PROVIDED BY OPERATING ACTIVITIES	29	1 245	2 051
CASH FLOWS FROM INVESTING ACTIVITIES			
CASH OUTFLOWS			
Purchase of plant and equipment		(1 175)	(449)
CASH USED IN INVESTING ACTIVITIES		(1 175)	(449)
CASH INFLOWS			
Proceeds from sale of plant and equipment		-	2
CASH GENERATED FROM INVESTING ACTIVITIES		-	2
NET CASH USED IN INVESTING ACTIVITIES		(1 175)	(447)
CASH FLOWS FROM FINANCING ACTIVITIES			
CASH INFLOWS			
Cash received from restructuring activities		-	4 805
CASH GENERATED FROM FINANCING ACTIVITIES		-	4 805
NET CASH PROVIDED BY FINANCING ACTIVITIES		-	4 805
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		70	6 409
CASH AND CASH EQUIVALENTS AT 1 JULY		10 819	4 410
CASH AND CASH EQUIVALENTS AT 30 JUNE	16	10 889	10 819

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

DISAGGREGATED DISCLOSURES – EXPENSES AND INCOME

FOR THE YEAR ENDED 30 JUNE 2017

(Refer to Note 4)	Tourism Development		Tourism Events		Tourism Marketing		Total
	2017	2016	2017	2016	2017	2016	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
EXPENSES							
Employee benefits expenses	3 824	3 482	5 515	5 714	5 184	4 661	14 523
Advertising and promotion	1 285	930	6 170	7 005	26 487	29 495	33 942
Industry assistance	11 647	3 279	7 354	5 562	473	1 016	19 474
Administration and accommodation	928	988	3 566	4 965	3 414	3 391	7 908
Event operations	124	112	38 887	37 929	-	1	39 011
Depreciation expense	22	46	1 658	1 709	66	141	1 896
Net loss from the disposal of non-current assets	1	-	4	-	2	-	7
TOTAL EXPENSES	17 831	8 837	63 154	62 884	35 626	38 705	116 611
							110 426
INCOME							
Sponsorship and participation	613	-	9 092	9 705	733	320	10 438
Entry fees, sales and commission	-	-	14 763	14 994	-	23	14 763
Refunds and recoups	-	139	-	590	-	7	-
Interest	-	-	110	360	-	-	110
Other income	141	77	1 224	1 001	126	202	1 491
TOTAL INCOME	754	216	25 189	26 650	859	552	26 802
NET COST OF PROVIDING SERVICES	17 077	8 621	37 965	36 234	34 767	38 153	89 809
REVENUES FROM SA GOVERNMENT							
Revenues from SA Government	17 419	9 297	36 982	36 009	34 720	37 795	89 121
TOTAL REVENUES FROM SA GOVERNMENT	17 419	9 297	36 982	36 009	34 720	37 795	89 121
NET RESULT	342	676	(983)	(225)	(47)	(358)	93
TOTAL COMPREHENSIVE RESULT	342	676	(983)	(225)	(47)	(358)	93

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

DISAGGREGATED DISCLOSURES – ASSETS AND LIABILITIES

AS AT 30 JUNE 2017

	Tourism Development		Tourism Events		Tourism Marketing		General or Not Attributable		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
ASSETS										
Cash and equivalents	-	-	1 084	3 463	2 654	1 857	7 151	5 499	10 889	10 819
Receivables	63	57	1 469	1 047	60	25	880	724	2 472	1 853
Other assets	-	-	20	143	-	-	2	118	22	261
Plant and equipment	-	-	11 623	12 117	-	-	806	890	12 429	13 007
TOTAL ASSETS	63	57	14 196	16 770	2 714	1 882	8 839	7 231	25 812	25 940
LIABILITIES										
Payables	632	475	1 071	1 477	2 088	1 846	815	591	4 606	4 389
Other liabilities	-	-	1 668	1 396	101	254	264	341	2 033	1 991
Employee benefits	503	495	992	892	1 078	937	812	749	3 385	3 073
Provisions	-	-	-	-	-	-	25	36	25	36
TOTAL LIABILITIES	1 135	970	3 731	3 765	3 267	3 037	1 916	1 717	10 049	9 489

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the South Australian Tourism Commission

The purpose of the South Australian Tourism Commission (SATC) is to assist in securing economic and social benefits for the people of South Australia through the promotion of South Australia as a tourism destination and the further development and improvement of the State's tourism industry. The principal goals of the SATC are to:

- add value to the efforts of the tourism industry and other government agencies, by ensuring a coordinated approach to the promotion of South Australia which results in an increase in visitor numbers to all regions of the State thereby increasing the value of tourism to the economy and generating employment for South Australians;
- attract, develop, own and support major and strategic events that generate substantial economic and social benefits for South Australia and promote the image and profile of Adelaide and South Australia;
- ensure the development of South Australia's tourism resources in a socially responsible way with emphasis on the continued maintenance and preservation of South Australia's environmental and cultural heritage and the profitability and effective utilisation of infrastructure; and
- achieve a strong corporate team and positive corporate culture that uses its resources in the most effective and efficient manner.

The functions and powers of the SATC in relation to motor sport are established under the *South Australian Motor Sport Act 1984*, and include the promotion of motor sport events and the establishment of a motor racing circuit on a temporary basis.

2. Summary of Significant Accounting Policies

(a) Statement of Compliance

The SATC 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 SATC has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the SATC 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 SATC for the reporting period ending 30 June 2017. Refer to note 3.

(b) Basis of Preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the SATC'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 to be 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 transaction or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the Accounting Policy Statements require the following note disclosures, which have been included in this financial report:
 - a) revenues, expenses, financial assets and liabilities classified according to their nature, where the transaction is with an entity within the SA Government or the counterparty is an entity within the SA Government as at the reporting date;
 - 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 SATC 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 SATC'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 on a twelve month period and presented in Australian currency.

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

(c) Reporting Entity

The SATC is a statutory corporation of the State of South Australia, established pursuant to the *South Australian Tourism Commission Act 1993*.

The financial statements and accompanying notes include all the controlled activities of the SATC. The SATC does not control any other entity and has no interests in unconsolidated structured entities.

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

(d) Financial Arrangements

The SATC's principal source of funding consists of monies appropriated by Parliament. The SATC is reliant on the continued provision of funding by SA Government. The financial activities of the SATC are primarily conducted through a Special Deposit Account pursuant to section 21 of the *Public Finance and Audit Act 1987*.

(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 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.

(f) Rounding

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

(g) Taxation

The SATC is not subject to income tax. The SATC 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 (ATO), in which case the GST is recognised as part of the cost of acquisition of an asset or part of an expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the commitments 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 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 material impact on the results of subsequent years.

(i) 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.

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

All non-current tangible assets with a value equal to or in excess of \$10 000 are capitalised. All Pageant Floats, regardless of their value, are recognised as non-current assets in the Statement of Financial Position. Pageant Floats are recorded at historic cost less accumulated depreciation.

Non-current assets acquired at no or nominal value as part of an administrative restructure are recognised at book value, that is the amount recorded by the transferor public authority immediately prior to the restructure.

Depreciation

All non-current assets, having limited useful lives, 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. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate,

which is a change in accounting estimate. The value of fitouts is amortised over the estimated remaining useful life of each fitout, or the unexpired period of the relevant lease, whichever is shorter.

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

<i>Class of asset</i>	<i>Useful life (years)</i>
General plant and equipment	3-10
Pageant plant and equipment	5-35
Motor sport plant and equipment	2-20
Fitouts	3-10

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. A valuation appraisal by a Certified Practising Valuer is performed at least every six years.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset. Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

Impairment

The SATC holds its plant and equipment assets for its service potential (value in use). All non-current tangible assets are valued at fair value or deemed 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 SATC expects that for all other non-current tangible assets 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 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 SATC classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

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

The valuation processes and fair value changes are reviewed by the Chief Financial Officer at each reporting date.

Non-financial assets

In determining fair value, the SATC has taken into account the characteristic of the asset, such as the 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 SATC's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the SATC has not identified any factors to suggest an alternative use, fair value measurement is based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition which 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 19 and 20 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Financial assets and liabilities

The SATC does not recognise any financial assets or financial liabilities at fair value.

(k) Liabilities

Leases

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

Operating leases

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

Lease incentives

All incentives for the operating lease for office accommodation are recognised as an integral part of the net consideration agreed for the use of the leased accommodation. Incentives received to enter into operating leases are recognised as a liability.

The aggregate benefits of lease incentives received by the SATC 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 received are in the form of fitouts and rent-free periods, and as such are capitalised as assets and depreciated or amortised over the remaining term of the lease, estimated useful life of the asset or terms of the rent-free periods, whichever is shorter.

Employee Benefits

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

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

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

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

Long service leave

The liability for long service leave is measured 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 services. 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 periods 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 twelve months based on previous experience. All other long service leave is classified as non-current.

(l) Unrecognised Contractual Commitments and Contingent Assets and Liabilities

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

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 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) Foreign Currency

Transactions and balances denominated in a foreign currency are converted at the exchange rate at the date of the transaction or balance date. Associated currency gains and losses, where material, are disclosed separately in note 8 and note 14 to the Statement of Comprehensive Income.

3. New and Revised Accounting Standards and Policies

The SATC 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 SATC for the period ending 30 June 2017. The SATC 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 SATC except as outlined below.

AASB 16 *Leases* will apply for the first time for the reporting period beginning 1 July 2019. This new standard will introduce a single accounting model for lessees which will require 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 will be 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 *Leases*. Accordingly, a lessor will continue to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

This new standard is a significant change from the current method of accounting for leases. The SATC will recognise almost all operating lease arrangements in its Statement of Financial Position. The impact on the financial statements of applying AASB 16 to the current operating lease arrangements has not been quantified. Depending on the lease arrangements entered into by the SATC at the time, it is estimated that significant assets and liabilities could be recognised and amortised over the lease terms.

AASB 15 *Revenue from Contracts with Customers* will apply for the first time for the reporting period beginning 1 July 2019. This new standard replaces AASB 118 and AASB 111, and introduces a five-step process for revenue recognition. The core principle of the new standard is to recognise revenue "when control of a good or service transfer to a customer". This is effectively when performance obligations have been met, rather than the current model of "where the risk and rewards of ownership reside".

The financial statements will include additional qualitative and quantitative disclosures. AASB 15 allows a cumulative approach instead of a full retrospective application. Under the cumulative approach there will be no need to restate comparative information but the cumulative effect of applying the standard will be recognised as an adjustment to the opening balance of accumulated surplus at the date of initial application. The new revenue recognition requirements may impact on the timing and amount of revenue from the sale of goods and services. The exact quantitative effect has not been assessed.

AASB 1058 *Income of Not-for-Profit Entities* will apply for the first time for the reporting period beginning 1 July 2019. This new standard specifies income recognition requirements that apply to not-for-profit (NFP) entities in conjunction with AASB 15. AASB 1058 and

AASB 15 will supersede the majority of income recognition requirements relating to public sector NFP entities previously specified in AASB 1004. The timing of income recognition will depend on whether a transaction gives rise to a liability or other performance obligation such as a promise to transfer goods and services, or a contribution by owners related to an asset received by the SATC. Where no liability is recognised under another standard or the liability is less than the fair value of the asset received then income will be recognised. The impact on the financial statements of applying AASB 1058 has not been assessed.

4. Activities of the SATC

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

Activity 1: Tourism Development

To build tourism opportunities by improving visitor access into and around the state, building industry capability and providing advice to the industry in terms of research, policy and planning.

Activity 2: Tourism Events

To strategically build and promote the state's event calendar by developing and attracting new events and managing and growing existing events.

Activity 3: Tourism Marketing

To develop and implement marketing activities and campaigns to increase the number of international and national visitors to and within South Australia.

The disaggregated disclosures schedules present information about expenses, income, assets and liabilities attributed to each of the activities for the years ended 30 June 2017 and 30 June 2016. Expenses and income attributed to the SATC as a whole have been proportionally allocated to each of the activities on the basis of full time equivalent employees in each of the activities.

5. Employee Benefits Expenses

	2017 \$'000	2016 \$'000
Salaries and wages	10 826	10 566
TVSPs (refer below)	348	148
Long service leave	362	401
Annual leave	959	862
Skills and experience retention leave	37	36
Employment on-costs – superannuation	1 132	1 042
Employment on-costs – other	670	632
Board fees	148	153
Other employment related expenses	41	17
Total employee benefits expenses	14 523	13 857

Superannuation employment on-costs represent contributions to superannuation plans for the current services of current employees.

Targeted Voluntary Separation Packages (TVSPs)

	2017 \$'000	2016 \$'000
Amount paid during the reporting period to separated employees:		
TVSPs	348	148
Annual leave and long service leave paid to those employees	190	79
Net cost to the SATC	538	227

The number of employees who received a TVSP during the reporting period was 6 (3).

Remuneration of Employees

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

	2017 Number	2016 Number
\$145 000 - \$147 000 ¹	n/a	1
\$157 001 - \$167 000	1	1
\$167 001 - \$177 000	2	2
\$187 001 - \$197 000	1	2
\$207 001 - \$217 000	-	1
\$217 001 - \$227 000	3	-
\$387 001 - \$397 000	-	1
\$397 001 - \$407 000	1	-
\$477 001 - \$487 000	-	1
Total number of employees	8	9

¹ This band has been included to report comparative figures based on the executive base level remuneration rate for 2015-16.

The table includes all employees whose normal remuneration was equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment and includes salaries and wages, termination payments, TVSPs, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$1 772 000 (\$2 132 000).

6. Advertising and Promotion	2017	2016
	\$'000	\$'000
Consumer advertising	13 397	14 043
Cooperative consumer marketing	7 137	9 030
Familiarisations	2 113	1 795
Other consumer marketing	474	383
Production	4 257	5 664
Representation and contractors	3 035	3 131
Marketing research	960	1 114
Trade marketing	1 267	796
Other advertising and promotion	1 302	1 474
Total advertising and promotion	33 942	37 430

7. Industry Assistance	2017	2016
	\$'000	\$'000
Sponsorship of events	7 654	6 180
Tourism marketing boards/information centre/infrastructure grants	539	383
Marketing/industry support	11 222	3 234
Trade show subsidies/membership of tourism industry bodies	59	60
Total industry assistance	19 474	9 857

Industry assistance is recognised as a liability and expense when the SATC has a contractual obligation to pay and the expense recognition criteria are met.

8. Administration and Accommodation	2017	2016
	\$'000	\$'000
Communication and computing	1 606	2 138
Stationery, postage, couriers and freight	125	164
Contractors and consultants	361	259
Motor vehicles, taxis and car parking	254	280
Domestic and international travel	727	847
Seminars, courses and training	115	89
Accommodation and service costs	3 077	2 969
Bad and doubtful debts expense	20	534
Loss on foreign exchange	476	257
Insurance	364	376
Audit, legal and other fees	541	546
Plant and equipment derecognised	-	629
Other	242	256
Total administration and accommodation	7 908	9 344

Operating lease payments are recognised as an expense on a straight-line basis over the lease term which represents the pattern of benefits derived from the leased assets.

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$123 000 (\$118 000). No other services were provided by the Auditor-General's Department.

Consultants

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

Below \$10 000

\$10 000 and above

Total paid/payable to the consultants engaged

2017		2016	
No.	\$'000	No.	\$'000
1	2	1	3
-	-	5	200
1	2	6	203

9. Event Operations	2017	2016
	\$'000	\$'000
Event facilities	10 580	8 471
Construction	4 786	6 208
Catering and entertainment	4 093	4 945
Communications	1 069	936
Transport	529	453
Participants and contractors	10 101	9 734
Television and media	3 197	3 016
Event management	4 656	4 279
Total event operations	39 011	38 042

10. Depreciation Expense

	2017 \$'000	2016 \$'000
General plant and equipment	27	15
Pageant plant and equipment	138	146
Motor sport plant and equipment	1 402	1 371
Fitouts	179	364
Total depreciation expense	1 746	1 896

Revision of accounting estimates

During the year the SATC reassessed the useful lives of its fitouts, increasing the estimated useful life. This resulted in a decrease of \$224 000 in depreciation expense in 2016-17 compared to the previous estimate of the useful life.

11. Net Loss from the Disposal of Non-Current Assets

	2017 \$'000	2016 \$'000
Plant and equipment		
Net book value of assets disposed	7	2
Proceeds from disposal	-	(2)
Total net loss from the disposal of non-current assets	7	-

Gains and losses on disposal of 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.

12. Sponsorship and Participation

	2017 \$'000	2016 \$'000
Sponsorship income	8 274	8 334
Cooperative marketing/advertising	618	249
Industry participation fees	110	187
Commonwealth grants	250	-
In-kind income	1 186	1 255
Total participation fees	10 438	10 025

Contributions are recognised as assets and income when the SATC obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met. All contributions received by the SATC have been contributions with unconditional stipulations attached and have been recognised as income upon receipt.

Sponsorship income is recognised when the SATC has a contractual right to receive the income and the income recognition criteria are met.

Commonwealth grants consist of funding for the Tourism Demand Driver Infrastructure project. The terms of this grants include that the State is not required to pay a refund to the Commonwealth if the actual cost of the project is less than the agreed estimated costs. As the grant is a non-recourse grant it has been recognised upon receipt.

13. Entry Fees, Licence Fees and Sales

	2017 \$'000	2016 \$'000
Event entry fees	12 375	12 459
Licence fees	2 340	2 468
Sale of merchandise	48	90
Total entry fees, sales and commission	14 763	15 017

Income from event entry fees and licence fees is recognised in the period that the event to which it relates occurs. Where cash is received for event entry fees and licence fees in an earlier period, it is disclosed in note 22 as unearned revenue.

14. Other Income

	2017 \$'000	2016 \$'000
Refunds and recoups	907	427
Service fees	404	309
Rental income	130	79
Sundry income	8	42
Gain on foreign exchange	42	225
Gain on derecognition of financial liabilities	-	934
Total other income	1 491	2 016

15. Revenues from SA Government

	2017	2016
	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	80 371	69 495
Other revenues from SA Government	8 750	13 606
Total revenues from SA Government	89 121	83 101

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

Total revenues from SA Government consist of \$88 485 000 (\$82 131 000) of operational funding and \$636 000 (\$970 000) for capital purposes. For details on the expenditure associated with the operational and capital funding received refer to notes 5 to 10 and note 19. There was no material variance between the amount appropriated and the expenditure associated with this appropriation.

The original amount appropriated to the SATC under the annual *Appropriation Act* was \$80 371 000 (\$69 007 000). An additional \$8 750 000 (\$488 000) was received from the Treasurer via the Governor's Appropriation Fund.

16. Cash and Cash Equivalents

	2017	2016
	\$'000	\$'000
Deposits with the Treasurer	7 147	5 496
Cash at bank	3 738	5 319
Cash on hand	4	4
Total cash and cash equivalents	10 889	10 819

Cash is measured as nominal amounts.

Deposits with the Treasurer

The SATC has three deposit accounts with the Treasurer, consisting of two general operating accounts and the Accrual Appropriation Excess Funds Account (AAEFA). The SATC controls the money in the AAEFA but its use must be approved by the Treasurer. The SATC does not earn interest on its deposits with the Treasurer.

Interest Rate Risk

Cash on hand and at bank is non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

17. Receivables

	2017	2016
	\$'000	\$'000
Current:		
Receivables	1 067	1 533
Allowance for doubtful debts	(15)	(534)
	1 052	999
GST input tax recoverable	795	651
Accrued revenues	424	41
Prepayments	201	162
Total receivables	2 472	1 853

Movement in the Allowance for Doubtful Debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (that is, 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 under administration and accommodation in the Statement of Comprehensive Income for specific debtors for which such evidence exists.

	2017	2016
	\$'000	\$'000
Movement in the allowance for doubtful debts (allowance for impairment loss)		
Carrying amount at 1 July	534	-
Increase in the allowance	20	534
Increase as a result of an administrative restructure	-	5
Amounts written off	(539)	(5)
Carrying amount at 30 June	15	534

Interest Rate and Credit Risk

Receivables arise in the normal course of selling goods and services to the public and to other government agencies. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing.

Collectability of receivables is reviewed on an ongoing basis. 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 32 for categorisation of financial instruments, maturity analysis of receivables and risk exposure information.

18. Other Assets	2017	2016
	\$'000	\$'000
Current:		
Lease incentive	22	239
Total current other assets	22	239
Non-Current:		
Lease incentive	-	22
Total non-current other assets	-	22
Total other assets	22	261
19. Plant and Equipment	2017	2016
	\$'000	\$'000
General plant and equipment		
At cost (deemed fair value)	509	349
Accumulated depreciation at the end of the period	(319)	(325)
Total general plant and equipment	190	24
Pageant plant and equipment		
At cost (deemed fair value)	1 948	1 900
Accumulated depreciation at the end of the period	(1 032)	(1 004)
Total Pageant plant and equipment	916	896
Motor sport infrastructure		
At cost (deemed fair value)	1 598	1 379
Accumulated depreciation at the end of the period	(1 083)	(929)
At fair value	13 214	13 214
Accumulated depreciation at the end of the period	(3 744)	(2 496)
Total motor sport infrastructure	9 985	11 168
Fitouts		
At cost (deemed fair value)	1 029	805
Accumulated depreciation at the end of the period	(238)	(513)
At fair value	899	899
Accumulated depreciation at the end of the period	(352)	(272)
Total fitouts	1 338	919
Total plant and equipment	12 429	13 007

Carrying Amount of Plant and Equipment

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

Plant and equipment includes \$1 159 000 (\$1 131 000) of fully depreciated plant and equipment still in use and \$17 000 (\$2 000) of plant and equipment retired from active use but not classified as held for sale.

Impairment

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

Reconciliation of Non-Current Assets

The following table shows the movement of non-current assets during 2016-17

2017	General Plant & Equipment \$'000	Pageant Plant & Equipment \$'000	Motor Sport Infrastructure \$'000	Fitouts \$'000	Total \$'000
Carrying amount at 1 July	24	896	11 168	919	13 007
Additions	197	161	219	598	1 175
Disposals	(4)	(3)	-	-	(7)
Depreciation	(27)	(138)	(1 402)	(179)	(1 746)
Carrying amount at 30 June	190	916	9 985	1 338	12 429

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

2016	General Plant & Equipment \$'000	Pageant Plant & Equipment \$'000	Motor Sport Infrastructure \$'000	Fitouts \$'000	Total \$'000
Carrying amount at 1 July	39	874	-	956	1 869
Additions	-	170	202	77	449
Acquisition through an administrative restructure	22	-	12 944	250	13 216
Disposals	-	(2)	-	-	(2)
Derecognition of plant and equipment	(22)	-	(607)	-	(629)
Depreciation	(15)	(146)	(1 371)	(364)	(1 896)
Carrying amount at 30 June	24	896	11 168	919	13 007

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 SATC categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2017.

The SATC had no valuations categorised into level 1 or level 2.

Level 3	2017	2016
Recurring fair value measurements	\$'000	\$'000
General plant and equipment	190	24
Pageant plant and equipment	916	896
Motor sport plant and equipment	9 985	11 168
Fitouts	1 338	919
Total recurring fair value measurements	12 429	13 007

Valuation Techniques and Inputs

Valuation techniques used to derive level 3 fair values are at note 2(j). There were no changes in valuation techniques during 2017.

Reconciliation of Level 3 Recurring Fair Value Measurements

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

	2017	2016
Plant and Equipment	\$'000	\$'000
Opening balance at 1 July	13 007	1 869
Capitalised subsequent expenditure	1 175	449
Acquisition through an administrative restructure	-	13 216
Disposals	(7)	(2)
Losses for the period recognised in net result		
Depreciation	(1 746)	(1 896)
Derecognition of plant and equipment	-	(629)
Carrying amount at 30 June	12 429	13 007

21. Payables

	2017	2016
Current:	\$'000	\$'000
Creditors	1 958	1 484
Accrued expenses	2 265	2 550
Employment on-costs	240	218
Paid Parental Leave scheme payable	3	6
Total current payables	4 466	4 258
Non-Current:		
Employment on-costs	140	131
Total non-current payables	140	131
Total payables	4 606	4 389

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

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

Employment on-costs include payroll tax, workers compensation levies and superannuation contributions. The SATC makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as expenses when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The liability outstanding at the reporting date is for contributions due but not yet paid to superannuation schemes, payroll tax payable to Revenue SA and the estimated on-costs on liabilities for accrued salaries and wages, long service leave, annual leave and skills and experience retention leave.

Actuarial assessments performed by the Department of Treasury and Finance determined the average proportion of long service leave taken as leave at a whole of government level was 40% in 2017 and 2016. In accordance with APF IV, management has determined that the SATC's experience has been sufficiently different over several years to render the use of this average unreliable. The percentage of long service leave taken as leave is 20.9% (19.4%). The average factor for the calculation of employer superannuation contribution on-cost on long service leave decreased to 10.1% (2017) from 10.2% (2016). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year and the estimated impact on 2018 and 2019 is immaterial.

Paid Parental Leave scheme payable represents amounts which the SATC has received from the Commonwealth Government to forward onto eligible employees by standard payroll processes. That is, the SATC 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 recognised for amounts owing but unpaid. Creditors are normally settled within 30 days of the date an 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.

Refer to note 32 for categorisation of financial instruments, maturity analysis of payables and risk exposure information.

22. Other Liabilities	2017	2016
	\$'000	\$'000
Current:		
Lease incentive	198	198
Unclaimed monies	19	19
Unearned revenue	1 450	1 143
Foreign exchange forward contracts	92	159
Total current other liabilities	1 759	1 519
Non-Current:		
Lease incentive	274	472
Total non-current other liabilities	274	472
Total other liabilities	2 033	1 991

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

23. Employee Benefits	2017	2016
	\$'000	\$'000
Current:		
Annual leave	817	707
Long service leave	251	279
Skills and experience retention leave	56	46
Accrued salaries and wages	312	182
Total current employee benefits	1 436	1 214
Non-Current:		
Long service leave	1 949	1 859
Total non-current employee benefits	1 949	1 859
Total employee benefits	3 385	3 073

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability. An actuarial assessment performed by the Department of Treasury and Finance has provided the 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 to 2.5% (2017) from 2.0% (2016). 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 change in the bond rate in the current financial year is a decrease in the long service leave liability of \$97 000, employment on-costs payables of \$7 000 and employee benefits expense of \$104 000. The impact in future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographic 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 4.0% 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.

24. Provisions	2017	2016
	\$'000	\$'000
Current:		
Provision for workers compensation	10	13
Total current provisions	10	13
Non-Current:		
Provision for workers compensation	15	23
Total non-current provisions	15	23
Total provisions	25	36
Carrying amount at 1 July	36	36
Additional provisions recognised	11	12
Reductions resulting from re-measurement or settlement without cost	(22)	(12)
Carrying amount at 30 June	25	36

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 provided by a consulting actuary engaged by the Office for the Public Sector 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 SATC is responsible for the payment of workers compensation claims.

25. Equity	2017	2016
	\$'000	\$'000
Contributed capital	64	64
Retained earnings	13 049	13 737
Asset revaluation surplus	2 650	2 650
Total equity	15 763	16 451

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

26. Unrecognised Contractual Commitments

(a) 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
Within one year	1 895	1 793
Later than one year but not longer than five years	2 245	3 631
Later than five years	1 040	1 549
Total operating lease commitments	5 180	6 973

The SATC's operating leases are for office accommodation and warehousing. These commitments have been calculated at rates specified in the lease agreements. The leases are non-cancellable with terms ranging up to 10 years with some leases having the right of renewal. Rent is payable monthly in advance.

(b) Expenditure Commitments

Expenditure commitments in existence at the reporting date but not recognised as liabilities are payable as follows:	2017	2016
	\$'000	\$'000
Within one year	40 477	22 519
Later than one year but not longer than five years	26 796	25 819
Total other commitments	67 273	48 338

The SATC's commitments arise from agreements for marketing services, circuit construction, event operations, event sponsorship and other cooperative and service contracts. There are no purchase options available to the SATC.

27. Remuneration of Board Members

Members of the Board during the 2016-17 financial year were:

South Australian Tourism Commission Board

J Bates	A Ford	I Horne	S Keenihan	M Young
J Collins*	F Hele	J Irving	J Smith	

The number of members whose total remuneration received or receivable falls within the following bands:	2017	2016
	Number	Number
\$0 - \$9 999	1	4
\$10 000 - \$19 999	7	7
\$20 000 - \$29 999	1	1
Total number of members	9	12

Remuneration of members reflects all costs of performing board 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 \$163 000 (\$168 000). Amounts paid to a superannuation plan for board members was \$14 000 (\$15 000).

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

* In accordance with Premier and Cabinet Circular PC016, government employees did not receive any remuneration for board duties during the financial year.

28. Related Party Transactions

The SATC is an instrumentality of the Crown and holds its property on behalf of the Crown.

Related parties of the SATC include all key management personnel and their close family members, all Cabinet Ministers and their close family members, 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 SATC 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 the SATC and other government related entities are disclosed at note 30.

Key Management Personnel

Key management personnel of the SATC consist of the Minister for Tourism, SATC Board directors, the Chief Executive Officer and the six members of the Executive group with responsibility for strategic direction and management. The compensation detailed below excludes salaries and other benefits received by the Minister for Tourism. 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 by the Department of Treasury and Finance under section 6 the *Parliamentary Remuneration Act 1990*.

	2017 \$'000	
Compensation		
Salaries and other short-term employee benefits	1 674	
Post-employment benefits	197	
Total compensation	1 871	
29. Cash Flow Reconciliation	2017 \$'000	2016 \$'000
Reconciliation of cash and cash equivalents at 30 June:		
Cash and cash equivalents disclosed in the Statement of Financial Position	10 889	10 819
Balance as per the Statement of Cash Flows	10 889	10 819
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash provided by operating activities	1 245	2 051
Revenues from SA Government	(89 121)	(83 101)
Non cash items		
Depreciation expense	(1 746)	(1 896)
Net loss from disposal of non-current assets	(7)	-
Derecognition of plant and equipment	-	(629)
Movement in assets and liabilities		
Receivables	619	(335)
Other assets	(239)	261
Employee benefits	(312)	(222)
Provisions	11	2
Other liabilities	(42)	75
Payables	(217)	786
Net cost of providing services	(89 809)	(83 008)

30. Transactions with SA Government

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

	2017 \$'000	2016 \$'000
EXPENSES		
Employee benefits expenses	666	629
Advertising and promotion	46	1
Industry assistance	374	25
Administration and accommodation	2 112	1 918
Event operations	384	128
TOTAL EXPENSES	3 582	2 701
INCOME		
Sponsorship and participation	632	-
Interest	110	360
Other income	97	34
TOTAL INCOME	839	394
NET COST OF PROVIDING SERVICES	2 743	2 307
REVENUES FROM SA GOVERNMENT		
Revenues from SA Government	89 121	83 101
TOTAL REVENUES FROM SA GOVERNMENT	89 121	83 101
NET RESULT	86 378	80 794
TOTAL COMPREHENSIVE RESULT	86 378	80 794

FINANCIAL ASSETS

Receivables

Receivables

Accrued revenues

1

57

10

40

TOTAL FINANCIAL ASSETS**11**

97

FINANCIAL LIABILITIES

Payables

Creditors

Accrued expenses

Employment on-costs

151

14

180

182

380

349

TOTAL FINANCIAL LIABILITIES**711**

545

31. 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 for 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 is not budgeted for on the same basis and is determined in a different manner to financial statement information. The 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.

The budget process is not subject to audit.

The following table discloses variances between original budget and actual amounts. Explanations are provided where the variance exceeds the greater of 10% of the original budgeted amount and 5% of the original budgeted total expenses.

2017	Note	Original Budget \$'000	Actual \$'000	Variance \$'000
EXPENSES				
Employee benefits expenses		11 163	14 523	3 360
Advertising and promotion		35 340	33 942	(1 398)
Industry assistance	(a)	13 460	19 474	6 014
Administration and accommodation		6 793	7 908	1 115
Event operations		39 166	39 011	(155)
Depreciation expense		2 333	1 746	(587)
Net loss from the disposal of non-current assets		-	7	7
TOTAL EXPENSES		108 255	116 611	8 356
INCOME				
Sponsorship and participation		9 779	10 438	659
Entry fees, sales and commission		17 297	14 763	(2 534)
Interest		-	110	110
Other income		808	1 491	683
TOTAL INCOME		27 884	26 802	(1 082)
NET COST OF PROVIDING SERVICES		80 371	89 809	9 438
REVENUES FROM SA GOVERNMENT				
Revenues from SA Government	(b)	80 371	89 121	8 750
TOTAL REVENUES FROM SA GOVERNMENT		80 371	89 121	8 750
NET RESULT		-	(688)	(688)
TOTAL COMPREHENSIVE RESULT		-	(688)	(688)

- (a) Industry assistance expenses were greater than budgeted primarily due to contractual arrangements with providers of access to South Australia.
- (b) Revenues from SA Government were higher than originally budgeted due to the transfer of funds to the SATC from the Treasurer via the Governor's Appropriation Fund.

2017		Original Budget \$'000	Actual \$'000	Variance \$'000
INVESTING EXPENDITURE SUMMARY				
Total existing projects	(c)	-	542	542
Total annual programs		636	633	(3)
TOTAL INVESTING EXPENDITURE		636	1 175	539

- (c) Investing expenditure was higher than the original budget due to the carry-over of funding for a warehouse and workshop fitout from 2015-16.

32. Financial Instruments / Financial Risk Management

(a) Categorisation of Financial Instruments

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

The SATC does not recognise any financial assets or financial liabilities at fair value but discloses fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs are observable.

The carrying amounts of each category of financial assets and liabilities are detailed below. The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to their short-term nature.

The following table discloses the carrying amount of each category of financial instrument held by the SATC. The SATC has assessed the maturity of its financial assets and financial liabilities as being less than one year.

Table 32.1 Categorisation of Financial Assets and Financial Liabilities

Category of financial asset and financial liability	Statement of Financial Position line item	Note	Carrying Amount	
			2017 \$'000	2016 \$'000
Financial assets				
Cash and cash equivalents	Cash and cash equivalents	16,29	10 889	10 819
Loans and receivables	Receivables ⁽¹⁾⁽²⁾	17	1 480	1 477
	Total financial assets		12 369	12 296
Financial liabilities				
Financial liabilities at cost	Payables ⁽¹⁾	21	3 871	3 815
	Other current liabilities	22	1 561	1 321
	Total financial liabilities		5 432	5 136

⁽¹⁾ Receivables and payables amounts disclosed above exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax and audit receivables/payables they are excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

⁽²⁾ Receivables amounts disclosed here excludes prepayments. Prepayments are presented in note 17 as prepayments in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

(b) Financial Risk Management

Risk management is managed by the SATC's Finance and Business Services group. 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 SATC's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held. There have been no changes in risk exposure since the last reporting period.

Liquidity risk

Liquidity risk arises from the possibility that the SATC is unable to meet its financial obligations as they fall due. The SATC is funded principally from appropriation by the SA Government. The SATC works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The SATC settles undisputed accounts within 30 days of the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made within 30 days of resolution. The SATC'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 32.1 represents the SATC's maximum exposure to liquidity risk. Refer to note 21 and note 22 for further information.

Credit risk

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer to note 17 for information on the allowance for impairment of receivables.

The carrying amount of financial assets as detailed in table 32.1 represents the SATC's maximum exposure to credit risk. Refer to note 16 and note 17 for further information.

The following table discloses the ageing of financial assets past due, including impaired assets past due.

Table 32.2 Ageing Analysis of Financial Assets

	Past due by <30 days \$'000	Past due by 30-60 days \$'000	Past due by >60 days \$'000	Total \$'000
2017				
Not impaired				
Receivables ⁽¹⁾	37	169	386	592
Impaired				
Receivables	16	-	-	16
2016				
Not Impaired				
Receivables ⁽¹⁾	331	38	55	424
Impaired				
Receivables	-	-	6	6

⁽¹⁾ Receivable amounts disclosed here exclude amounts relating to statutory receivables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax and audit receivables/payables they are excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.

Market risk

The SATC does not trade in foreign currency, enter into transactions for speculative purposes nor engage in high risk hedging for its financial assets. To manage its exchange risk the SATC implements forward foreign exchange cover through the South Australian Government Financing Authority (SAFA) in accordance with Treasurer's Instruction 23 *Management of Foreign Currency Exposures*.

On behalf of the SATC, at 30 June 2017 SAFA had in place 9 (12) foreign exchange forward contracts totalling \$5 079 000 (\$9 017 000). In 2016-17 the SATC had 12 (19) foreign exchange forward contracts mature totalling \$9 017 000 (\$8 897 000). The forward contracts are to cover commitments denominated in foreign currencies, including for the payment of representation fees, event participation fees and global marketing activity.

As with all forward foreign exchange contracts there are financial risks. Cashflows from foreign exchange forward contracts in 2016-17 are included in the Statement of Comprehensive Income, and where material are shown separately as losses in note 8 and as gains in note 14. Refer to note 22 for further information.

The SATC does not undertake any hedging of interest rate risk. There is no exposure to other price risks.

Sensitivity Disclosure Analysis

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

(c) Credit Standby Arrangements

The SATC has a \$250 000 (\$250 000) purchasing card facility with the ANZ Bank. The unused portion of this facility as at 30 June 2017 was \$173 000 (\$179 000).

SOUTH AUSTRALIAN TOURISM COMMISSION

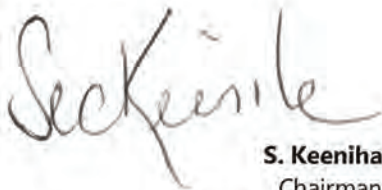
CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the attached general purpose financial statements for the South Australian Tourism Commission (SATC);

- 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 SATC; and
- present a true and fair view of the financial position of the SATC 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 SATC 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 board members.



S. Keenihan
Chairman
South Australian Tourism
Commission Board

7 / 9 / 2017



R. Harrex
Chief Executive Officer
South Australian Tourism
Commission

07 / 09 / 2017

S. Rozokos
Chief Financial Officer
South Australian Tourism
Commission

7 / 9 / 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chief Executive Officer South Australian Tourism Commission

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 23(3) the *South Australian Tourism Commission Act 1993*, I have audited the financial report of the South Australian Tourism 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 South Australian Tourism 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
- Disaggregated Disclosures – Expenses and Income for the year ended 30 June 2017
- Disaggregated Disclosures – Assets and Liabilities as at 30 June 2017
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman, the Chief Executive Officer 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 South Australian Tourism 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

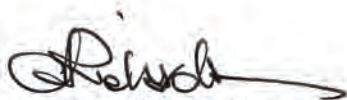
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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 'A. Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

20 September 2017

South Australian Water Corporation

Financial report
for the year ended
30 June 2017

South Australian Water Corporation
Statement of comprehensive income
For the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Income			
Revenue from ordinary activities	5	1,361,773	1,505,107
Other income	6	7,758	5,155
Total income		1,369,531	1,510,262
Expenses			
Depreciation and amortisation expense	7	(327,013)	(318,395)
Borrowing costs	7	(336,634)	(336,278)
Electricity expense		(43,125)	(48,975)
Services and supplies		(161,587)	(200,264)
Operational and service contracts		(184,982)	(182,990)
Employee benefits expense		(127,664)	(121,952)
Total expenses		(1,181,005)	(1,208,854)
Profit before income tax equivalents		188,526	301,408
Income tax expense	8	(54,171)	(88,303)
Profit after income tax equivalents		134,355	213,105
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Gain on revaluation of infrastructure, plant and equipment assets	30(a)	89,871	111,582
Revaluation of available-for-sale financial assets		4,609	2,726
Income tax relating to components of other comprehensive income	8(c)	(26,461)	(32,656)
Other comprehensive income for the year, net of tax		68,019	81,652
Total comprehensive result		202,374	294,757
Total comprehensive result for the year is attributable to: The SA Government as owner		202,374	294,757

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

South Australian Water Corporation
Statement of financial position
As at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	27	2,450	3,248
Receivables	9	218,558	212,614
Inventories	10	8,412	6,946
Other financial assets	11	874	980
Tax receivables	19	5,659	-
Other current assets	12	12,611	12,181
Total current assets		248,564	235,969
Non-current assets			
Available-for-sale financial assets	13	35,170	30,561
Deferred tax assets	14	45,460	45,967
Intangible assets	15	179,618	173,724
Infrastructure, plant and equipment	16	13,685,909	13,604,021
Total non-current assets		13,946,157	13,854,273
Total assets		14,194,721	14,090,242
LIABILITIES			
Current liabilities			
Payables	17	203,769	189,619
Financial liabilities/borrowings	18	39,235	25,778
Tax liabilities	19	-	9,783
Provisions	20	16,737	16,843
Other current liabilities	21	33,277	30,204
Total current liabilities		293,018	272,227
Non-current liabilities			
Payables	22	2,296	2,512
Financial liabilities/borrowings	23	6,406,165	6,333,126
Deferred tax liabilities	24	1,673,790	1,661,716
Provisions	25	29,790	30,957
Other non-current liabilities	26	370,871	380,250
Total non-current liabilities		8,482,912	8,408,561
Total liabilities		8,775,930	8,680,788
Net assets		5,418,791	5,409,454
EQUITY			
Contributed equity		173,610	173,610
Asset revaluation surplus	30(a)	4,989,256	4,923,535
Retained earnings	30(b)	255,925	312,309
Total equity		5,418,791	5,409,454

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

South Australian Water Corporation
Statement of changes in equity
For the year ended 30 June 2017

Notes	Asset			Total \$'000
	Contributed equity \$'000	revaluation surplus \$'000	Retained earnings \$'000	
Balance at 1 July 2016	173,610	4,923,535	312,309	5,409,454
Profit for the year	-	-	134,355	134,355
Gain on revaluation on infrastructure, plant and equipment assets	30	89,871	-	89,871
Revaluation of available-for-sale financial assets	30	4,609	-	4,609
Transfer to retained profits on disposal	30	(2,298)	-	(2,298)
Transfer from infrastructure, plant and equipment revaluation surplus	30	-	2,298	2,298
Income tax relating to components of other comprehensive income	8(c)	(26,461)	-	(26,461)
Total comprehensive result for the period	-	65,721	136,653	202,374

Transactions with the SA Government in their capacity as owners:

Dividends provided for or paid	34	-	-	(193,037)	(193,037)
Balance at 30 June 2017		173,610	4,989,256	255,925	5,418,791

Notes	Asset			Total \$'000
	Contributed equity \$'000	revaluation surplus \$'000	Retained earnings \$'000	
Balance at 1 July 2015	173,610	4,844,100	301,905	5,319,615
Profit for the year	-	-	213,105	213,105
Gain on revaluation on infrastructure, plant and equipment assets	30	111,582	-	111,582
Revaluation of available-for-sale financial assets	30	2,726	-	2,726
Transfer to retained profits on disposal	30	(2,217)	-	(2,217)
Transfer from infrastructure, plant and equipment revaluation surplus	30	-	2,217	2,217
Income tax relating to components of other comprehensive income	8(c)	(32,656)	-	(32,656)
Total comprehensive result for the period	-	79,435	215,322	294,757

Transactions with the SA Government in their capacity as owners:

Dividends provided for or paid	34	-	-	(204,918)	(204,918)
Balance at 30 June 2016		173,610	4,923,535	312,309	5,409,454

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

South Australian Water Corporation
Statement of cash flows
For the year ended 30 June 2017

	2017	2016
Notes	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	1,239,778	1,372,456
Payments to suppliers and employees	(586,674)	(563,715)
Interest received	88	380
Receipts from community service obligations	130,780	129,293
Receipts from contributions	8,368	9,642
Receipts from government grants	45	99
Borrowing costs paid	(313,500)	(336,727)
Income tax equivalents paid	(83,493)	(107,273)
Net cash inflow from operating activities	28 <u>395,392</u>	<u>504,155</u>
Cash flows from investing activities		
Payments for construction and purchase of infrastructure, plant and equipment	(280,926)	(280,098)
Payments for intangible assets	(19,263)	(20,847)
Proceeds from sale of intangible assets	1,546	4,426
Proceeds from sale of infrastructure, plant and equipment	675	972
Proceeds from sale of renewable energy certificates	8,319	754
Net cash (outflow) from investing activities	<u>(289,649)</u>	<u>(294,793)</u>
Cash flows from financing activities		
Proceeds from borrowings	1,011,900	1,163,523
Repayment of borrowings	(916,500)	(1,157,900)
Dividends paid	34 (193,037)	(204,918)
Repayments of finance lease liability	(8,904)	(7,960)
Net cash (outflow) from financing activities	<u>(106,541)</u>	<u>(207,255)</u>
Net (decrease)/increase in cash and cash equivalents	(798)	2,107
Cash and cash equivalents at the beginning of the financial year	3,248	1,141
Cash and cash equivalents at end of period	27 <u>2,450</u>	<u>3,248</u>

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

1 Summary of significant accounting policies

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

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

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

The Corporation has applied Australian Accounting Standards that are applicable to for profit entities, as the Corporation is a for profit entity.

(a) Basis of preparation

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

The Corporation's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for infrastructure, plant and equipment, available-for-sale financial assets, derivative financial instruments and renewable energy certificates which are measured on a fair value basis in accordance with the valuation policy applicable.

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

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

The financial statements are authorised for issue by the Board.

Change in accounting policy

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

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Comparative information

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

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

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

Rounding

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

(b) Jointly controlled operations

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

(c) Revenue recognition

Rates and charges

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

SA Water sets its annual water and sewer prices in line with the revenue caps for water and sewer services set by the Essential Services Commission of South Australia's (ESCOSA's) Final Price Determination.

Unbilled revenue

SA Water accrues the consumption and associated revenue that is calculated to have been consumed throughout the year. The underlying revenue recognition principle is to recognise revenue in the period it is earned, rather than billed. The calculation is based on state-wide water supplied, customer billing information, and an assessment of non-revenue water (non-revenue water includes water produced and then lost or unaccounted for, such as evaporation, firefighting and leaks).

Community service obligations (CSOs)

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

The CSO revenue is recognised as the services are provided.

Contributed assets

Contributed assets principally arise from:

- (i) Customers who make a contribution where a service or connection has been requested which requires construction of a new main; and

1 Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

Contributed assets (continued)

(ii) Developers who make contributions where either:

- a) water and sewer infrastructures are constructed by developers and transferred to SA Water. The contribution recognised is equivalent to the Corporation's estimated cost of construction; or
- b) the Corporation constructs the infrastructure at the developer's request.

Contributed assets that are constructed by developers and gifted to SA Water for nil value, are recognised as contributed asset revenue when the ownership of the constructed assets is transferred to SA Water.

Cash contributions received by SA Water to construct assets for customers are recognised as unearned revenue upon receipt. Revenue is subsequently recognised as earned when the constructed assets are practically completed.

Disposal of non-current assets

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

Recoverable works

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

Government grants

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

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

(d) Expenses

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

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

The following are specific recognition criteria:

Employee benefits expenses

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

1 Summary of significant accounting policies (continued)

(d) Expenses (continued)

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Corporation to the superannuation plan in respect of employment services of current staff. The contributions are made to the state government superannuation scheme and several non-state government superannuation schemes. With relation to the state government superannuation scheme, the Department of Treasury and Finance centrally recognises the superannuation liability in the whole of government financial statements.

Supplies and services

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

Operational and service contracts

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

Depreciation

Refer to note 1(e).

Borrowing costs

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

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

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

(e) Non-current assets

Infrastructure, plant and equipment

Acquisition

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

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

1 Summary of significant accounting policies (continued)

(e) Non-current assets (continued)

Infrastructure, plant and equipment (continued)

Valuations

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

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

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

Infrastructure assets

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

Infrastructure assets were valued as follows:

- The unit rates for water mains/connections and sewer mains/connections, were independently determined by Aquentia Consulting as at 1 July 2016. These rates are applied to the actual lengths of pre-defined modern equivalent asset types for water mains and sewer mains.
- Other infrastructure assets are independently valued on a cyclical basis at least every 5 years. In the intervening periods the assets are indexed annually as at 1 July using the appropriate PPI. Assets independently valued during the financial period were bores and wells, water pumping stations, water tanks, and leased water treatment plants by Aquentia Consulting as at 1 July 2016.

The previous independent valuations were:

- Sewer pumping stations and buildings were independently valued as at 1 July 2015.
- Wastewater treatment plants were independently valued as at 1 July 2014.
- Water filtration plants were independently valued as at 1 July 2013.
- Water dosing stations, earth storages and reservoirs were independently valued as at 1 July 2012.

1 Summary of significant accounting policies (continued)

(e) Non-current assets (continued)

Infrastructure, plant and equipment (continued)

Valuations (continued)

Land and buildings

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

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

1 Summary of significant accounting policies (continued)

(e) Non-current assets (continued)

Infrastructure, plant and equipment (continued)

Valuations (continued)

Plant and equipment

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

Other property, plant and equipment

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

Work in progress

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

Depreciation

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

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

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

Financial assets (available-for-sale)

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

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

1 Summary of significant accounting policies (continued)

(e) Non-current assets (continued)

Infrastructure, plant and equipment (continued)

Intangible assets

Issued water licences

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

SA Water holds issued water licences for prescribed water resources in the following regions:

Rights other than those relating to the River Murray are:

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

River Murray water rights are conferred via multiple instruments:

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

Other Water rights - permanent

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

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

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

1 Summary of significant accounting policies (continued)

(e) Non-current assets (continued)

Infrastructure, plant and equipment (continued)

Intangible assets (continued)

Other Water rights - permanent (continued)

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

Seasonal water allocations

In addition to the permanent water rights above, during 2008/09 and 2009/10 the Government granted approval for SA Water to purchase seasonal water allocations to be used for critical human water needs in future years. SA Water also purchased water allocations for operational needs. Prior to June 2012 the Government had approved the water allocations being preserved beyond 2011/12 and retained as a reserve to meet critical human water needs in future years. These purchased water allocations are held as other assets in the accounts and are expensed as the water is used. In 2015/16, a permanent reduction in available water of 52 GL was recorded as an expense in SA Water's 2015/16 financial statements with a remaining balance of 120GL. There is no further change in 2016/17 to these preserved allocations.

Prescription of the Mount Lofty Ranges

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

Easements

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

Application software

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

ADP intangible asset

An intangible asset exists in relation to the network connection agreement between SA Water and SA Power Networks. The agreement grants the Corporation the legal right to connect to the SA Power Networks substation constructed at Port Stanvac and thus acquire electricity for the Adelaide Desalination Plant (ADP) at the rates specified in the agreement.

In accordance with *AASB 138 Intangible Assets*, this right was recognised in 2012/13 as an intangible asset and is measured at the construction cost of the SA Power Networks' substation.

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

1 Summary of significant accounting policies (continued)

(f) Impairment of assets

All non-current tangible and intangible assets are reviewed for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets any impairment loss is offset against the relevant asset revaluation surplus until fully extinguished with any remaining amount expensed in the Statement of Comprehensive Income.

The Corporation has reviewed its assets as at 30 June 2017. There were no indications of impairment.

(g) Leases

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

Operating leases

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

Lease Incentives

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability. The aggregate benefits of lease incentives received by the Corporation in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight line basis.

Finance leases

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

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

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

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

(h) Taxes

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

1 Summary of significant accounting policies (continued)

(h) Taxes (continued)

Income tax equivalents

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

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

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

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

Land tax and council rate equivalents

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

Goods and services tax

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

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

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

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

(i) Cash and cash equivalents

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

1 Summary of significant accounting policies (continued)

(j) Receivables

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

Bad debts are written off when they are identified.

(k) Inventories

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

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

(l) Employee benefits

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

Wages and salaries, annual leave and sick leave

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

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

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

Long service leave

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

The Corporation's long service leave liability for 30 June 2017 was valued by KPMG Actuarial Pty Ltd.

Superannuation

Refer to note 1 (d)

(m) Workers compensation

The corporation is registered with ReturnToWorkSA as a government self-insurer and is responsible for the management and liability of all workers' compensation claims. The provision is for the estimated cost of ongoing payments to employees as required under current legislation. The Corporation's provision is an actuarial estimate of the outstanding liability as at 30 June 2017 provided by KPMG Actuarial Pty Ltd.

1 Summary of significant accounting policies (continued)

(n) Insurance

SA Water is insured under the South Australian Government's insurance and risk management arrangements with SAICORP. Under this agreement between SAICORP and SA Water, SAICORP will meet the cost of any civil liability claim made against SA Water subject to SA Water's selected deductible.

In addition, insurance arrangements are in place for construction works, travel insurance, and director and officer liabilities.

(o) Payables

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

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

(p) Provisions

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

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

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

Damages and claims

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

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

Asset disposal and site rehabilitation

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

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

(q) Borrowings

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

1 Summary of significant accounting policies (continued)

(q) Borrowings (continued)

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

Forward starting loans

SA Water enters into forward starting loans (FSLs) with SAFA where it agrees to borrow specified amounts in the future at a pre-determined interest rate with the objective of minimising interest rate volatility. FSLs are non-derivative financial instruments which are outside the scope of *AASB139 Financial Instrument Recognition and Measurement*, and disclosed as unrecognised fixed rate loan commitments (refer note 2(c)).

(r) Derivatives

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

Foreign exchange derivatives

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

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

As at 30 June 2017, SA Water had no outstanding foreign exchange derivatives.

Electricity derivatives and non-derivatives

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

Permitted electricity derivatives include exchange traded futures and settlement residue auction units.

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

1 Summary of significant accounting policies (continued)

(r) Derivatives (continued)

Accounting for derivatives

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

All derivatives are categorised as financial assets or financial liabilities at fair value through profit and loss and classified as economic hedges in the Statement of Financial Position as the Corporation has elected not to apply hedge accounting under *AASB139 Financial Instruments: Recognition and Measurement*.

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

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

Consistent with SA Water's treasury and energy policies, derivative financial instruments are transacted as economic hedges of cash flow exposures and are not held for speculative purposes.

1 Summary of significant accounting policies (continued)

(s) Administered items

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

River Murray levy

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

(t) New accounting standards and interpretations

The Corporation 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 Corporation for the period ending 30 June 2017.

AASB 16 Leases will apply for the first time to the 30 June 2020 financial report. The amended standard introduces a single accounting model for lessees, eliminating the distinction between operating and finance leases. The standard will require SA Water 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. Operating lease payments will no longer be expensed in the Statement of Comprehensive Income, rather they will be apportioned between a reduction in the recognised lease liability and the finance charge in the lease. The finance charge will be recognised as an expense.

AASB 15 Revenue from Contracts with Customers will replace the existing *AASB 118 Revenue* and will apply for the first time to the 30 June 2019 financial report. *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 under the existing model of 'where the risk and rewards of ownership reside'. The changes in revenue recognition requirements may result in changes to the timing and amount of revenue recognised from sales of SA Water's good and services.

The revised *AASB 9 Financial Instruments* will apply for the first time to the 30 June 2019 financial report. This provides the principles for the classification, measurement, recognition, de-recognition and disclosures 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 which will recognise impairment losses earlier as opposed to the current approach that recognises impairment losses only when incurred.

SA Water has not yet quantified the impact of adopting the above new and amended standards and the resulting impact on the Statement of Comprehensive Income, the Statement of Financial Position and the Notes to the financial statements.

2 Financial risk management

(a) Market risk

(i) Interest rate risk exposures - financial liabilities

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

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

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

At 30 June 2017 it has been assumed that a reasonable possible shift in interest rates over the next reporting period could be 0.5% upwards and 0.5% downwards.

	Carrying amount \$'000	Interest rate risk			
		-0.5%		+0.5%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
30 June 2017					
Financial assets					
Cash and cash equivalents	2,450	(9)	(9)	9	9
Financial liabilities					
Short term borrowings	(29,274)	102	102	(102)	(102)
Total increase/(decrease)		93	93	(93)	(93)

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

2 Financial risk management (continued)

(a) Market risk (continued)

(ii) Electricity price risk exposures

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

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

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

The following sensitivity analysis is based on electricity derivatives in existence at balance date. The movements in post-tax profit and equity for the year are due to higher/lower electricity price curves and settlement residues assuming all other variables are held constant.

At 30 June 2017 it has been assumed that a reasonable possible change in the relevant forward prices for wholesale electricity prices over the next reporting period could be 10% upwards and 10% downwards. Sensitivity of 10% is based on industry standards and historical volatilities in the electricity pool prices.

	Carrying amount \$'000	Electricity price risk			
		-10%	+10%	-10%	+10%
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
30 June 2017					
Financial assets					
Derivative financial instruments (electricity)	874	19	19	(19)	(19)
Total increase/(decrease)		19	19	(19)	(19)

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

(b) Credit risk

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

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

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

2 Financial risk management (continued)

(b) Credit risk (continued)

The Corporation has no significant concentration of credit risk.

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

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

(c) Liquidity risk

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

Contractual maturities

The table below analyses the Corporation's financial liabilities into the relevant groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the future contractual undiscounted cash flows. The contractual cash flows for fixed rate and floating rate borrowings include principal, interest, guarantee fees and SAFA margins.

Maturing borrowings are included in the table at their maturity date and are refinanced at prevailing market interest rates. Fixed rate borrowings are interest only with no fixed repayment date for the principal component. Any principal component of fixed rate borrowings that has already been refinanced prior to the reporting date (via forward starting loans) is excluded from the relevant maturity grouping. The future cash flows relating to forward starting loans are separately disclosed in the table below as unrecognised fixed rate loan commitments.

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
At 30 June 2017					
Non-derivatives					
Non-interest bearing liabilities*	105,170	-	-	-	105,170
Fixed rate borrowings	507,153	1,050,070	2,775,638	2,504,424	6,837,285
Floating rate borrowings	29,253	-	-	-	29,253
Unrecognised fixed rate loan commitments**	20,147	40,402	121,241	1,058,298	1,240,088
Finance lease liabilities	22,981	22,981	56,208	27,969	130,139
Total non-derivatives	684,704	1,113,453	2,953,087	3,590,691	8,341,935

2 Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
At 30 June 2016					
Non-derivatives					
Non-interest bearing liabilities*	114,458	-	-	-	114,458
Fixed rate borrowings	427,563	1,132,551	3,716,275	2,613,856	7,890,245
Floating rate borrowings	16,802	-	-	-	16,802
Finance lease liabilities	22,572	22,572	67,716	37,609	150,469
Total non-derivatives	581,395	1,155,123	3,783,991	2,651,465	8,171,974

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

** The principal component relating to FSLs that was refinanced prior to reporting date has been excluded from the less than 1 year category, and included in the over 5 years category in which the FSLs will mature.

2 Financial risk management (continued)

(d) Fair value measurements

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

(i) Fair value of financial liabilities

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

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

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

	2017		2016	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Long term borrowings	6,346,000	6,552,020	6,263,000	6,664,742

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

(ii) Fair value of financial assets

The Corporation has invested in unlisted class B shares as part of the Build Own Operate and Transfer (BOOT) arrangements for the Virginia Pipeline Scheme. These shares have been measured at fair value, which includes some assumptions that are not supportable by observable market prices or rates. The fair value has been estimated using the written down current cost of the pipeline assets at the transfer date of 2018, discounted to their present value. In determining fair value a discount factor of 4.63% (30 June 2016: 5.06%) has been used which has been determined from SA Water's pre tax real weighted average cost of capital. If the discount rate was 1% higher, while all other variables were constant, the carrying amount of the shares would decrease by \$0.2m (30 June 2016: \$0.7m). If the discount rate was 1% lower, while all other variables were held constant, the carrying amount of the shares would increase by \$0.2m (30 June 2016: \$0.7m).

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

	2017		2016	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Unlisted shares	35,170	35,170	30,561	30,561

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

3 Fair value measurements

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

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

(a) Fair value measurements

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

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

The following table presents the Corporation's financial and non-financial assets measured and recognised at fair value at 30 June 2017.

(i) Recognised fair value measurements

30 June 2017	2017 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements				
Financial assets				
Electricity derivatives	874	874	-	-
Unlisted shares	35,170	-	-	35,170
Total financial assets	36,044	874	-	35,170
Non-financial assets				
Buildings	23,848	-	-	23,848
Land	367,996	-	367,996	-
Water infrastructure	8,709,210	-	-	8,709,210
Sewer infrastructure	4,102,385	-	-	4,102,385
Plant and equipment and other	119,313	-	-	119,313
Total non-financial assets	13,322,752	-	367,996	12,954,756
Total recurring financial and non-financial assets	13,358,796	874	367,996	12,989,926

3 Fair value measurements (continued)

(a) Fair value measurements (continued)

(i) Recognised fair value measurements (continued)

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

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

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

(ii) Disclosed fair values

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

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

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

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

(i) Recurring fair value measurements

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

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

(ii) Non-recurring fair value measurements

SA Water has no non-recurring fair value measurements.

3 Fair value measurements (continued)

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

(ii) Non-recurring fair value measurements (continued)

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

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

	Buildings \$'000	Water Infrastructure \$'000	Sewer Infrastructure \$'000	Plant and Equipment and Other \$'000	Available-for-Sale Financial Assets \$'000	Total \$'000
Opening balance at 1 July 2016	20,883	8,704,568	3,985,921	110,566	30,561	12,852,499
Acquisitions	5,457	185,079	151,860	27,813	-	370,209
Disposals	-	-	-	(487)	-	(487)
Total gain (losses) for the period in the net result:						
Asset write-off	-	(5,548)	(5,368)	-	-	(10,916)
Depreciation	(2,819)	(198,517)	(88,362)	(19,992)	-	(309,690)
	(2,819)	(204,065)	(93,730)	(19,992)	-	(320,606)
Total gain (losses) for the period in other comprehensive income:						
Revaluation increment/ (decrement)	327	23,628	58,334	1,413	4,609	88,311
	327	23,628	58,334	1,413	4,609	88,311
Closing balance 30 June 2017	23,848	8,709,210	4,102,385	119,313	35,170	12,989,926

3 Fair value measurements (continued)

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

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

(i) Valuation inputs and relationships to fair value

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

4 Critical accounting estimates and judgements

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

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

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

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

5 Revenue from ordinary activities

	2017 \$'000	2016 \$'000
Community service obligations	136,092	130,423
Water and sewer rates and charges	1,075,714	1,228,872
Recoverable works	49,191	50,732
Fees and charges	41,988	43,840
Miscellaneous	236	49
Amortisation of government grant revenue	9,352	9,610
Contributed assets	47,701	39,910
Rents	1,464	1,380
Interest	35	291
	1,361,773	1,505,107

6 Other income

	2017 \$'000	2016 \$'000
Net gain on disposal of infrastructure, plant and equipment	75	444
Net gain on disposal of temporary water allocations	1,523	4,352
Reversal of prior year infrastructure, plant and equipment revaluation decrement	253	5
Net gain on disposal of renewable energy certificates	5,907	354
	<u>7,758</u>	<u>5,155</u>

7 Expenses

	2017 '000	2016 '000
Profit before income tax includes the following specific expenses:		
Depreciation (note 16)		
Buildings	2,819	1,860
Plant and equipment	2,476	2,412
Other	17,516	16,816
Infrastructure assets - sewer	88,362	81,758
Infrastructure assets - water	198,517	196,615
Amortisation (note 15)		
Computer software	15,623	17,234
ADP intangible	1,700	1,700
Total depreciation and amortisation	<u>327,013</u>	<u>318,395</u>
Borrowing costs		
Interest paid/payable on short term and long term borrowings	327,954	326,654
Finance charges on capitalised leases	8,680	9,624
Total borrowing costs	<u>336,634</u>	<u>336,278</u>
Net loss from electricity derivatives at fair value through profit and loss	72	146
Finance lease contingent rentals	5,235	4,950
Operating lease minimum lease payments	12,064	11,411
Net bad and doubtful debts (recovery)/expense including movements in allowance for doubtful debts	(5,742)	5,554
Infrastructure, plant and equipment revaluation decrement	3	14,356
Write-off in value of infrastructure, plant, equipment, and capital WIP	14,322	12,492

7 Expenses (continued)

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

Less than \$10,000 (Number 2017: 2; 2016: 4)	7	17
Between \$10,000 and \$50,000 (Number 2017: 8; 2016: 7)	247	190
Greater than \$50,000 (Number 2017: 1; 2016: 4)	276	305
	530	512

Superannuation contribution	17,788	16,828
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8 Income tax expense

(a) Income tax expense

	2017 \$'000	2016 \$'000
Current tax	68,313	113,977
Deferred tax	(13,880)	(25,680)
Amounts (over)/under provided in prior years	(262)	6
	54,171	88,303

Deferred income tax (revenue) included in income tax expense comprises:

Decrease/(Increase) in deferred tax assets (note 14)	1,534	(7,653)
(Decrease) in deferred tax liabilities (note 24)	(15,414)	(18,027)
	(13,880)	(25,680)

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

	2017 \$'000	2016 \$'000
Profit from continuing operations before income tax expense	188,526	301,408
Tax at the Australian tax rate of 30.0% (2016: 30.0%)	56,558	90,422
Tax effect of amounts which are not deductible (taxable)		
in calculating taxable income:		
Loss on sale of land	19	8
ADP intangible asset amortisation	510	510
Government grants	(2,618)	(2,626)
Provision for employee benefits	(36)	(17)
	54,433	88,297
Amounts (over)/under provided in prior years	(262)	6
Income tax expense	54,171	88,303

8 Income tax expense (continued)

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

	2017 \$'000	2016 \$'000
Gain on revaluation of infrastructure, plant and equipment	25,078	31,838
Revaluation of investment in unlisted shares	1,383	818
	<u>26,461</u>	<u>32,656</u>

9 Current assets - Receivables

	2017 \$'000	2016 \$'000
Receivables		
Rates receivable (water and sewer)	170,518	176,681
Sundry debtors	29,704	28,933
Allowance for doubtful debts	(40)	(6,064)
	<u>200,182</u>	<u>199,550</u>
Other receivables		
Community Service Obligations	18,376	13,064
	<u>218,558</u>	<u>212,614</u>

(a) Impaired trade receivables

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

The ageing of these receivables is as follows:

	2017 \$'000	2016 \$'000
More than 90 days overdue	40	6,064

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

Opening balance at 1 July	6,064	615
Provision for impairment recognised during the year	12	6,045
Amounts written off	(15)	(15)
Amounts reversed	(6,021)	(581)
Closing balance at 30 June	<u>40</u>	<u>6,064</u>

9 Current assets - Receivables (continued)

(b) Past due but not impaired

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

	2017 \$'000	2016 \$'000
Up to 3 months	24,861	35,626
More than 3 months	19,850	13,918
	<u>44,711</u>	<u>49,544</u>

The other balances within rates receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due rates receivables with renegotiated terms at balance date is \$11.824m (2016: \$13.246m).

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

	2017 \$'000	2016 \$'000
Up to 1 month	2,767	2,170
More than 1 month	1,540	1,237
	<u>4,307</u>	<u>3,407</u>

The remaining balances within sundry debtors do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due sundry debtors with renegotiated terms at balance date is \$0.971m (2016: \$1.068m).

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

(c) Fair value and credit risk

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

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

10 Current assets - Inventories

	2017 \$'000	2016 \$'000
Raw materials and stores	6,995	7,837
Allowance for obsolete stock	(356)	(1,377)
Work in progress	1,773	486
	<u>8,412</u>	<u>6,946</u>

11 Current assets - Financial assets

	2017 \$'000	2016 \$'000
Electricity derivatives		
Settlement residue auction units	623	810
Electricity futures contracts	251	170
Total current derivative financial instrument assets	<u>874</u>	<u>980</u>

12 Current assets - Other current assets

	2017 \$'000	2016 \$'000
Interest receivable	32	84
Prepayments	9,657	6,779
Renewable Energy Certificates *	2,922	5,318
	<u>12,611</u>	<u>12,181</u>

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

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

	2017 \$'000	2016 \$'000
Unlisted shares at fair value	35,170	30,561

14 Non-current assets - Deferred tax assets

	2017 \$'000	2016 \$'000
The balance comprises temporary differences attributable to:		
Doubtful debts	12	1,818
Obsolete stock	107	413
Infrastructure, plant and equipment	11,388	11,077
Pooled assets	103	99
Payables	1,364	1,436
Audit fee payable	121	133
Government grants	11,413	11,576
Employee benefits	12,722	13,117
Deferred lease incentives	253	293
Unearned customer contributions	4,176	3,338
Unearned income	228	124
Provision for asset disposal	18	19
Provision for workers compensation	193	189
	42,098	43,632

Amounts recognised directly in equity

Unearned customer contributions	2,335	2,335
Revaluation of Infrastructure, plant and equipment	1,027	-
Total deferred tax assets	45,460	45,967

	2017 \$'000	2016 \$'000
Movements:		
Opening balance at 1 July	45,967	38,314
Charged to the statement of comprehensive income (note 8)	(1,534)	7,653
Charged to equity (note 30)	1,027	-
Closing balance at 30 June	45,460	45,967

Deferred tax assets expected to be recovered within 12 months	12,454	13,655
Deferred tax assets expected to be recovered after more than 12 months	33,006	32,312
	45,460	45,967

15 Non-current assets - Intangible assets

	Easements \$'000	Prescription rights \$'000	Computer software \$'000	ADP intangible \$'000	Purchased water rights \$'000	Seasonal Water Allocations \$'000	Total \$'000
Year ended 30 June 2017							
Opening net book amount	6,213	4,500	31,302	62,974	30,776	37,959	173,724
Additions	-	-	23,217	-	-	-	23,217
Amortisation charge	-	-	(15,623)	(1,700)	-	-	(17,323)
Closing net book amount	6,213	4,500	38,896	61,274	30,776	37,959	179,618
At 30 June 2017							
Cost	6,213	4,500	178,547	70,982	30,776	37,959	328,977
Accumulated amortisation	-	-	(139,651)	(9,708)	-	-	(149,359)
Net book amount	6,213	4,500	38,896	61,274	30,776	37,959	179,618

15 Non-current assets - Intangible assets (continued)

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

16 Non-current assets - Infrastructure, plant and equipment

	Work in progress \$'000	Land \$'000	Buildings \$'000	Leased sewer infrastructure \$'000	Plant and equipment \$'000	Water infrastructure \$'000	Sewer infrastructure \$'000	Leased water infrastructure \$'000	Other property, plant and equipment \$'000	Total \$'000
Year ended 30 June 2017										
Opening net book amount	422,989	359,094	20,883	23,021	20,069	8,617,090	3,962,900	87,478	90,497	13,604,021
Revaluation surplus	-	6,419	327	359	-	30,767	57,975	(7,139)	1,413	90,121
Additions	298,283	2,596	5,457	-	3,129	184,949	151,860	130	24,684	671,088
Transfers	(354,709)	-	-	-	-	-	-	-	-	(354,709)
Depreciation charge	-	-	(2,819)	(795)	(2,476)	(194,407)	(87,567)	(4,110)	(17,516)	(309,690)
Asset write down	(3,406)	-	-	-	-	(5,548)	(5,368)	-	-	(14,322)
Disposals	-	(113)	-	-	(487)	-	-	-	-	(600)
Closing net book amount	363,157	367,996	23,848	22,585	20,235	8,632,851	4,079,800	76,359	99,078	13,685,909
At 30 June 2017										
Cost	363,157	-	-	-	48,629	-	-	-	-	411,786
Valuation	-	367,996	88,662	31,163	-	14,747,938	6,789,615	195,244	284,195	22,504,813
Accumulated depreciation	-	-	(64,814)	(8,578)	(28,394)	(6,115,087)	(2,709,815)	(118,885)	(185,117)	(9,230,690)
Net book amount	363,157	367,996	23,848	22,585	20,235	8,632,851	4,079,800	76,359	99,078	13,685,909

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

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

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

(a) Carrying amounts that would have been recognised

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

	2017 \$'000	2016 \$'000
Freehold land		
Cost	52,795	50,199
Net book amount	<u>52,795</u>	<u>50,199</u>
Buildings		
Cost	53,909	48,451
Accumulated depreciation	<u>(27,919)</u>	<u>(25,244)</u>
Net book amount	<u>25,990</u>	<u>23,207</u>
Leased sewer infrastructure		
Cost	18,792	18,792
Accumulation depreciation	<u>(5,638)</u>	<u>(5,168)</u>
Net book amount	<u>13,154</u>	<u>13,624</u>
Water infrastructure		
Cost	4,676,535	4,518,885
Accumulated depreciation	<u>(1,137,467)</u>	<u>(1,051,300)</u>
Net book amount	<u>3,539,068</u>	<u>3,467,585</u>
Sewer infrastructure		
Cost	2,302,023	2,168,986
Accumulated depreciation	<u>(945,001)</u>	<u>(872,914)</u>
Net book amount	<u>1,357,022</u>	<u>1,296,072</u>
Leased water infrastructure		
Cost	124,183	124,183
Accumulation depreciation	<u>(73,467)</u>	<u>(71,109)</u>
Net book amount	<u>50,716</u>	<u>53,074</u>
Other		
Cost	228,540	203,856
Accumulated depreciation	<u>(142,924)</u>	<u>(127,490)</u>
Net book amount	<u>85,616</u>	<u>76,366</u>

17 Current liabilities - Payables

	2017 \$'000	2016 \$'000
Interest payable	81,634	58,500
Trade creditors	109,191	115,298
Other creditors	12,944	15,821
	<u>203,769</u>	<u>189,619</u>

18 Current liabilities - Financial liabilities/borrowings

	2017 \$'000	2016 \$'000
Lease liabilities note (note 31)	9,961	8,904
Short term borrowings	29,274	16,874
	<u>39,235</u>	<u>25,778</u>

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

(a) Risk exposures

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

(b) Fair value disclosures

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

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

19 Current liabilities - Tax liabilities (receivables)

	2017 \$'000	2016 \$'000
Provision for current income tax movements during the year were as follows:		
Opening balance at 1 July	9,783	3,073
Income tax paid	(83,493)	(107,273)
Current year's income tax provision	68,313	113,977
Amounts (over)/under provided in prior years	(262)	6
	<u>(5,659)</u>	<u>9,783</u>

At 30 June 2017, the Corporation was due a refund of income tax equivalent operated under the National Tax Equivalent Regime. This amount has been recognised in the statement of financial position as a current tax receivable.

20 Current liabilities - Provisions

	2017 \$'000	2016 \$'000
Employee benefits	15,654	15,723
Asset disposal	60	20
Damages and claims	91	128
Workers compensation	932	972
	16,737	16,843

(a) Movements in provisions

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

2017 Current	Asset disposal \$'000	Damages and claims \$'000	Workers compensation \$'000	Total \$'000
Opening balance at 1 July	20	128	972	1,120
Provisions recognised	-	595	1,051	1,646
Payments made during year	(2)	(632)	(634)	(1,268)
Re-measurement adjustments	-	-	(457)	(457)
Transfer from non-current provisions	42	-	-	42
Closing balance at 30 June	60	91	932	1,083

21 Current liabilities - Other current liabilities

	2017 \$'000	2016 \$'000
Government grants	9,606	9,690
Lease incentives	134	134
Unearned income	22,129	19,300
Deposits from customers	1,408	1,080
	33,277	30,204

22 Non-current liabilities - Payables

	2017 \$'000	2016 \$'000
Other payables	2,296	2,512

23 Non-current liabilities - Financial liabilities/borrowings

	2017 \$'000	2016 \$'000
Lease liabilities (note 31)	60,165	70,126
Long term borrowings	6,346,000	6,263,000
	<u>6,406,165</u>	<u>6,333,126</u>

24 Non-current liabilities - Deferred tax liabilities

	2017 \$'000	2016 \$'000
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The balance comprises temporary differences attributable to:

Prepayments	1,801	824
Derivative financial instruments	2	27
Unlisted shares at fair value	(2,406)	(2,406)
Seasonal Water Allocations	11,388	11,388
Infrastructure, plant and equipment	(8,572)	7,794
	<u>2,213</u>	<u>17,627</u>

Amounts recognised directly in equity

Revaluation of infrastructure, plant and equipment	1,663,075	1,636,970
Unlisted shares at fair value	8,502	7,119
	<u>1,671,577</u>	<u>1,644,089</u>

Total deferred tax liabilities	<u>1,673,790</u>	<u>1,661,716</u>
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Movements:

Opening balance at 1 July	1,661,716	1,647,087
Credited to the Statement of Comprehensive Income (note 8)	(15,414)	(18,027)
Charged to equity (note 30)	26,105	31,838
Unlisted shares at fair value	1,383	818
Closing balance at 30 June	<u>1,673,790</u>	<u>1,661,716</u>

Deferred tax liabilities to be settled within 12 months	1,804	852
Deferred tax liabilities expected to be settled after more than 12 months	1,671,986	1,660,864
	<u>1,673,790</u>	<u>1,661,716</u>

25 Non-current liabilities - Provisions

25 Non-current liabilities - Provisions (continued)

	2017 \$'000	2016 \$'000
Employee benefits	26,751	28,001
Workers compensation	3,039	2,914
Asset disposal	-	42
	<u>29,790</u>	<u>30,957</u>

(a) Movements in provisions

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

2017 Non-current	Workers compensation \$'000	Asset disposal \$'000	Total \$'000
Opening balance at 1 July	2,914	42	2,956
Transfer to current provision	-	(42)	(42)
Re-measurement adjustments	125	-	125
Closing balance at 30 June	<u>3,039</u>	<u>-</u>	<u>3,039</u>

26 Non-current liabilities - Other non-current liabilities

	2017 \$'000	2016 \$'000
Government grants	370,162	379,407
Lease incentives	709	843
	<u>370,871</u>	<u>380,250</u>

27 Reconciliation of cash

	2017 \$'000	2016 \$'000
Cash and cash equivalents	<u>2,450</u>	<u>3,248</u>

(a) Fair Value

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

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

	2017 \$'000	2016 \$'000
Net profit for the year	134,355	213,105
Add/(less) non-cash items:		
Depreciation and amortisation	327,013	318,395
Amortisation of government grant revenue	(9,352)	(9,610)
Contributed assets	(41,313)	(32,130)
Net (gain) on disposal of infrastructure, plant and equipment	(75)	(502)
Net (gain) on disposal of temporary water allocations	(1,546)	(4,426)
Infrastructure, plant and equipment revaluation decrement reversal	(253)	(5)
Infrastructure, plant and equipment revaluation decrement	3	14,356
Write-off in value of infrastructure, plant and equipment and capital WIP	14,322	12,492
Write-off in value of purchased seasonal water allocations	-	16,449
Net (gain) on disposal of renewable energy certificates	(5,911)	(354)
Change in assets and liabilities:		
(Increase) in receivables	(5,944)	(13,101)
(Increase) in inventories	(1,466)	(146)
(Increase) in prepayments	(2,878)	(2,636)
Decrease/(increase) in other operating assets	44	(2,519)
Decrease/(increase) in derivative financial assets	106	(980)
Decrease/(increase) in deferred tax assets	1,534	(7,653)
(Increase) in income tax receivable	(5,659)	-
(Decrease)/increase in trade creditors	(5,210)	495
(Decrease)/increase in provision for employee benefits	(1,319)	1,029
Increase/(decrease) in provision for workers compensation	85	(631)
Increase in other operating liabilities	24,047	13,642
Increase in government grants	45	99
(Decrease)/increase in other provisions	(39)	103
(Decrease) in deferred tax liabilities	(15,414)	(18,027)
(Decrease)/increase in income tax payable	(9,783)	6,710
Net cash inflow from operating activities	395,392	504,155

29 Capital risk management

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

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

The gearing ratios based on continuing operations at 30 June 2016 and 30 June 2017 were as follows:

	2017 \$'000	2016 \$'000
Interest bearing borrowings (note 18, 23)	6,445,400	6,358,904
Less: Cash and cash equivalents (note 27)	(2,450)	(3,248)
Net debt	6,442,950	6,355,656
Total Assets	14,194,721	14,090,242
Gearing ratio	45%	45%

As part of the 2017/18 State Budget, the SA Government determined that SA Water adjust its borrowings each year prior to 30 June, to maintain a debt/asset gearing ratio of 45%. This commenced from the year ended 30 June 2017, with SA Water required to make an additional return to the State Government; this was transacted as a specified dividend, as directed by the Treasurer, of an amount equivalent to the required incremental increase in borrowings.

30 Asset revaluation surplus and retained profits

(a) Asset revaluation surplus

	2017 \$'000	2016 \$'000
Revaluation surplus - property, plant and equipment	4,969,419	4,906,924
Available-for-sale financial assets	19,837	16,611
	<u>4,989,256</u>	<u>4,923,535</u>

Movements:

Infrastructure, plant and equipment revaluation surplus

Opening balance at 1 July	4,906,924	4,829,397
Revaluation of infrastructure, plant and equipment*	89,871	111,582
Movements in deferred tax liability (note 24)	(26,105)	(31,838)
Transfer to retained profits on disposal	(2,298)	(2,217)
Movements in deferred tax assets (note 14)	1,027	-
Closing balance at 30 June	<u>4,969,419</u>	<u>4,906,924</u>

Available-for-sale investments revaluation surplus

Opening balance at 1 July	16,611	14,703
Revaluation of investment in unlisted shares	4,609	2,726
Movements in deferred tax liabilities (note 24)	(1,383)	(818)
Closing balance at 30 June	<u>19,837</u>	<u>16,611</u>

*The 2015/2016 revaluation increase (around 0.8%) is primarily attributable to the revaluation movement of pipe assets, wastewater treatment plants, desalination plant and water filtration plants.

*The 2016/2017 revaluation increase (around 0.7%) is primarily attributable to the revaluation increment of pipe assets, wastewater treatment plants, desalination plant and water filtration plants, offset by the decrement of water pumping stations.

30 Asset revaluation surplus and retained profits (continued)

(b) Retained profits

Movements in retained profits were as follows:

Opening balance at 1 July	312,309	301,905
Profit for the year	134,355	213,105
Dividends (note 34)	(193,037)	(204,918)
Transfers from infrastructure, plant and equipment revaluation surplus	2,298	2,217
Closing balance at 30 June	<u>255,925</u>	<u>312,309</u>

(c) Nature and purpose of other asset revaluation surplus

(i) Infrastructure plant and equipment revaluation surplus

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

(ii) Available-for-sale revaluation surplus

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

31 Commitments and contingencies

(a) Capital commitments

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

	2017 \$'000	2016 \$'000
Within one year	23,361	19,702
Later than one year but not later than five years	5,672	5,293
	<u>29,033</u>	<u>24,995</u>

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

(b) Operating lease commitments

	2017 \$'000	2016 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are committed as follows:		
Within one year	11,937	12,215
Later than one year but not later than five years	49,294	48,227
Later than five years	18,567	31,395
	<u>79,798</u>	<u>91,837</u>

The operating lease commitments relate to property leases which are non cancellable leases. The rentals are payable monthly and reviewed annually. The annual increases are based on either CPI, 1.7%, 2.5%, 3%, 3.5% or 4%.

31 Commitments and contingencies (continued)

(b) Operating lease commitments (continued)

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

(c) Other expenditure commitments

	2017 \$'000	2016 \$'000
Future other expenditure commitments not provided for in the financial statements are committed as follows:		
Within one year	149,080	161,829
Later than one year but not later than five years	567,511	655,466
Later than five years	421,791	552,403
	<u>1,138,382</u>	<u>1,369,698</u>

Other expenditure commitments include commitments pursuant to contracts to:

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

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

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

(d) Finance leases

	2017 \$'000	2016 \$'000
Commitments in relation to finance leases are payable as follows:		
Within one year	17,584	17,584
Later than one year but not later than five years	60,425	70,335
Later than five years	20,797	28,471
Minimum lease payments	<u>98,806</u>	<u>116,390</u>
Future finance charges	(28,680)	(37,360)
Recognised as a liability	<u>70,126</u>	<u>79,030</u>
Representing lease liabilities:		
Current (note 18)	9,961	8,904
Non-current (note 23)	60,165	70,126
	<u>70,126</u>	<u>79,030</u>

The present value of finance lease liabilities is as follows:

Within one year	9,961	8,904
Later than one year but not later than five years	42,776	47,531
Later than five years	17,389	22,595
Minimum lease payments	<u>70,126</u>	<u>79,030</u>

31 Commitments and contingencies (continued)

(d) Finance leases (continued)

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

(e) Contingent rentals

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

	2017 \$'000	2016 \$'000
Within one year	5,397	4,988
Later than one year but not later than five years	18,763	19,953
Later than five years	7,173	9,138
	<u>31,333</u>	<u>34,079</u>

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

(f) Other contingencies

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

32 Joint Operation

Jointly controlled operations

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

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

	2017 \$'000	2016 \$'000
Current assets		
Cash and cash equivalents	47	16
Receivables	5	13
Total current assets	<u>52</u>	<u>29</u>
Non-current assets		
Infrastructure, plant and equipment	1,528	1,562
Total assets	<u>1,580</u>	<u>1,591</u>
Current liabilities		
Payables	48	45
Total liabilities	<u>48</u>	<u>45</u>
Net assets	<u>1,532</u>	<u>1,546</u>

33 Remuneration of auditors

	2017 \$'000	2016 \$'000
Audit fees paid/payable:		
SA Water annual Public Finance and Audit Act audit	389	404
SA Water regulatory financial statements audit*	12	37
	<u>401</u>	<u>441</u>

* Pursuant to *Water Industry Guideline Number 2* and confirmation from ESCOSA, a full Audit Opinion Certificate on the Corporation's 2016/17 special purpose (regulatory) financial statements is no longer required. An 'Agreed Upon Procedures Report' has been determined to be the appropriate audit assurance to SA Water's Board and Management.

34 Dividends

	2017 \$'000	2016 \$'000
Dividend paid (a)	121,829	204,918
Dividend - interim dividend paid to SA Government (b)	71,208	-
	<u>193,037</u>	<u>204,918</u>

(a) Dividend paid to the South Australian (SA) Government has been in accordance with the Financial Ownership Framework where the dividend paid is based on the recommendation of the Board and approved by the Treasurer pursuant to section 30 of the Public Corporations Act 1993.

(b) As part of the 2017/18 State Budget, the SA Government determined that SA Water adjust its borrowings each year prior to 30 June, to maintain a deb/asset ratio of 45%. This decision was transacted as a specified dividend, as directed by the Treasurer, pursuant to section 30(2)(b) of the Public Corporations Act 1993. For the year ended 30 June 2017, this resulted in an increase in dividend payment of \$71.208m and an equivalent increase in borrowings. The dividend was drawn from the retained profits of the Corporation and paid on 29 June 2017.

35 Remuneration of employees

	Current employees 2017	Ex-Employees 2017	Current employees 2016	Ex-Employees 2016
The number of employees whose remuneration paid and payables falls within the following bands is:				
\$145,001 - 147,000*	n/a	n/a	12	-
\$147,001 - 157,000	35	-	40	3
\$157,001 - 167,000	32	2	18	1
\$167,001 - 177,000	14	2	15	1
\$177,001 - 187,000	10	1	7	-
\$187,001 - 197,000	3	-	5	-
\$197,001 - 207,000	4	-	6	-
\$207,001 - 217,000	6	-	6	-
\$217,001 - 227,000	1	-	1	-
\$227,001 - 237,000	1	1	2	-
\$237,001 - 247,000	2	-	2	-
\$247,001 - 257,000	-	-	2	-
\$257,001 - 267,000	2	1	1	-
\$277,001 - 287,000	1	2	-	-
\$287,001 - 297,000	-	-	2	-
\$297,001 - 307,000	2	1	-	-
\$307,001 - 317,000	1	-	2	-
\$317,001 - 327,000	-	-	-	1
\$327,001 - 337,000	-	1	-	-
\$337,001 - 347,000	1	-	1	-
\$347,001 - 357,000	-	-	1	-
\$367,001 - 377,000	1	-	-	-
\$387,001 - 397,000	-	-	1	-
\$407,001 - 417,000	1	1	-	-
\$557,001 - 567,000	1	-	-	-
\$787,001 - 797,000	-	-	1	-
Total	118	12	125	6

*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 \$24.7m (2016: \$24.2m).

35 Remuneration of employees (continued)

	2017 \$'000	2016 \$'000
Targeted voluntary separation packages(TVSPs)		
Amount paid during the reporting period to separated employees:		
TVSPs	557	-
Annual leave and long service leave paid to those employees	297	-
Net cost to SA Water	854	-

The number of employees who received TVSPs during the reporting period was 5 (2016: 0).

36 Remuneration of directors

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

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

	2017 Number of directors	2016 Number of directors
The number of Directors of the Corporation (excluding the Chief Executive) whose remuneration paid and payable falls within the following bands is:		
\$40,000 - \$49,999	3	3
\$50,000 - \$59,999	2	2
\$80,000 - \$89,999	1	1
	6	6

The total remuneration paid and payable for those Directors was \$0.32m (2016: \$0.32m) which includes superannuation contributions.

37 Related party disclosures

(a) Directors

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

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

Mr J.R. Ringham was Chief Executive (and hence director) of the corporation until 1 July 2016. Mr Cheroux commenced as Chief Executive (and hence director) of the corporation on 2 July 2016.

Mr Cheroux is a member of the Water Services Association of Australia board, a member of the Advisory Council of the French Australian Chamber of Commerce (FACCI) and the SA Government French Engagement Advisory Group. Mr Cheroux is also a member of the Advisory Committee of the Australian Water Partnership.

Ms Blencowe is a deputy presiding member of the City of Port Adelaide Enfield Development Assessment Panel, and a member of the City of Port Adelaide Enfield Development Assessment Committee.

Ms Filby is a member of the Development Policy Advisory Committee, and chair of the SA Power Networks Customer Panel. Ms Filby also is a facilitator with Behind Closed Doors and volunteer with Calvary Health Care.

Ms Maywald is managing director of Maywald Consultants Pty Ltd whose clients, in the course of the year, included the WA Water Corporation, Enzen Australia and Stoney Pinch Sands Pty Ltd. Ms Maywald is a director of ModMed (formerly Sturt Fleurieu Education and Training), chair of the International Centre of Excellence in Water Resources Management (ICEWaRM), member of the Advisory Council of Flinders University New Venture Institute, member of the Adelaide International 3 Day Event board, partner in DR and KA Maywald, strategic advisor to the Department of State Development, and director of GPEx. Ms Maywald also is a facilitator with Behind Closed Doors.

Mr Owens is a reconciliation ambassador for Reconciliation SA, and non-executive director of Australian Gas Networks. Mr Owens was chair of the Upper Spencer Gulf Common Purpose Group and a member of the City of Marion Audit Committee. Mr Owens also provided advice on energy related matters to the SA Government in the course of the year.

Mr Stirling is executive chairman of Stirling Advisory Pty Ltd whose clients, during the course of the year, included Ausnet Services and Hastings Funds Management. Mr Stirling is a director of A Noble and Son Limited Group of Companies, a member of the University of Adelaide Business School Advisory Board, and director of the Adelaide Botanic Gardens Foundation Inc. For a short period, Mr Stirling was a director of both NSW Power Networks Operator Holding Pty Ltd and NSW Power Networks Operator Pty Ltd.

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

37 Related party disclosures (continued)

(b) Key management personnel

Key management personnel compensation for the years ended 30 June 2017 and 2016 is set out below. The key management personnel are the Directors of the Corporation (including the Chief Executive) and the Senior Leadership Team who have responsibility for the strategic direction and management of the Corporation.

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

	Number of key management personnel	Short-term benefits \$'000	Post-employment benefits \$'000	Long-term benefits \$'000	Termination benefits \$'000	Total \$'000
2017*	18	3,073	280	9	-	3,362
2016*	17	3,243	294	-	-	3,537

*Both 2017 and 2016 include an overlap of SLT members.

Due to the additional disclosures on related party transactions with key management personnel as required by Department of Treasury and Finance, from 1 July 2016 the value of leave liabilities accrued are no longer included as part of compensation - leave is recognised as it is paid. 2016 compensation has been recalculated, for the purpose of reporting comparative figures.

38 Statement of Administered items

	2017		2016
	River Murray Levy \$'000	Total \$'000	Total \$'000
Consolidated entity			
Administered Income			
Revenue	(5)	(5)	(103)
Total Administered Revenues	(5)	(5)	(103)
Expenses	(5)	(5)	(103)
Total Administered Expenses	(5)	(5)	(103)
Operating Surplus	-	-	-
Consolidated entity			
Current Assets			
Cash and cash equivalents	48	48	339
Total Current Assets	48	48	339
Total Administered Assets	48	48	339
Current Liabilities			
Payables	48	48	339
Total Current Liabilities	48	48	339
Total Administered Liabilities	48	48	339
Net Assets	-	-	-

38 Statement of Administered items (continued)

	2017		2016
	River Murray Levy \$'000	Total \$'000	Total \$'000
Consolidated entity			
Cash flows from operating activities			
Cash inflows	(5)	(5)	1,482
Total Cash Inflows	(5)	(5)	1,482
Cash outflows	286	286	1,322
Total Cash Outflows	286	286	1,322
Net cash inflow/(outflow) from operating activities	(291)	(291)	160
Net increase/(decrease) in cash held	(291)	(291)	160
Cash at the beginning of the reporting period	339	339	179
Cash at the end of the reporting period	48	48	339

39 SA Government transactions

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

	2017 \$'000	2016 \$'000
Rates and charges	44,854	61,425
Community service obligations	136,092	130,423
Recoverable works	13,644	11,225
Fees and charges	292	21
Miscellaneous	3	2
Government grants	282	515
Interest received	-	238
Total revenue - SA Government entities	195,167	203,849

(b) Expenses

Supplies and services

	2017 \$'000	2016 \$'000
Provided by entities within the SA Government		
Operational services	38,338	39,080
Administration	34,482	33,392
Materials & Other	49	5
Payroll tax	7,558	7,551
Maintenance contracts	1,728	3,407
Total supplies and services - SA Government entities	82,155	83,435

Borrowing costs

Provided by entities within the SA Government

Interest expense	327,954	326,654
Total Borrowing Costs provided by entities within the SA Government	327,954	326,654

39 SA Government transactions (continued)

(c) Receivables

	2017 \$'000	2016 \$'000
Receivables from SA Government entities		
Community service obligations	18,376	13,064
Rates receivable (water and sewer)	1,157	2,287
Sundry debtors	4,966	1,523
	<u>24,499</u>	<u>16,874</u>

(d) Payables

Current

	2017 \$'000	2016 \$'000
Payables to SA Government entities		
Trade creditors	15,332	14,574
Interest payable	81,634	58,500
Other creditors	2,141	2,298
	<u>99,107</u>	<u>75,372</u>

Non-Current

Payables to SA Government entities

Other creditors	<u>1,352</u>	<u>1,414</u>
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Certification of the Financial Statements

We certify that the:

- Financial statements of SA Water Corporation:
 - are in accordance with the accounts and records of the authority;
 - comply with relevant Treasurer's instructions;
 - 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 SA Water Corporation over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



.....
Roch Cheroux
Chief Executive



.....
Jamie Hollamby
GM Business Services



.....
Carolyn Pickles
Chair

Date 13/09/2017.....

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chair South Australian Water Corporation

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

In preparing the financial report, the Chief Executive 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 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:

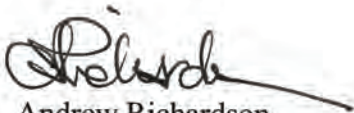
- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material 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 Chief Executive
- 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 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

19 September 2017