



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 5

By authority: Sinead O'Brien, Government Printer, South Australia

General enquiries regarding this report should be directed to:

Auditor-General
Auditor-General's Department
Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000

www.audit.sa.gov.au

ISSN 0815-9157

Contents

Volume 1

Treasurer's Statements	1
Agencies' audited financial reports:	
Adelaide Festival Centre Trust	41
Adelaide Festival Corporation	67
Adelaide Oval SMA Limited	89
Adelaide Venue Management Corporation	121
Art Gallery Board	158
Attorney-General's Department	188
Auditor-General's Department	276
Central Adelaide Local Health Network Incorporated	293
Child Protection, Department for	344
Communities and Social Inclusion, Department for	382
Correctional Services, Department for	471
Country Health SA Local Health Network Incorporated	520
Courts Administration Authority	569

Volume 2

Defence SA	1
Education and Child Development, Department for	35
Environment Protection Authority	120
Environment, Water and Natural Resources, Department of	156
Flinders University of South Australia	232
Health and Ageing, Department for	295
Health Services Charitable Gifts Board	363
HomeStart Finance	404
House of Assembly	464
Independent Commissioner Against Corruption	487
Joint Parliamentary Service	514
Legal Services Commission	538
Legislative Council	564

Volume 3

Libraries Board of South Australia	1
Lifetime Support Authority of South Australia	31
Local Government Finance Authority of South Australia	64
Lotteries Commission of South Australia	90
Motor Accident Commission	116
Museum Board	154
Northern Adelaide Local Health Network Incorporated	185
Office of the National Rail Safety Regulator	224
Planning, Transport and Infrastructure, Department of	243
Premier and Cabinet, Department of the	348
Primary Industries and Regions, Department of	422
Public Trustee	512

Volume 4

Return to Work Corporation of South Australia	1
SA Ambulance Service Inc	53
South Australia Police	92
South Australian Country Fire Service	160
South Australian Fire and Emergency Services Commission	200
South Australian Forestry Corporation	258
South Australian Government Financing Authority	297
South Australian Housing Trust	345
South Australian Metropolitan Fire Service	392
South Australian State Emergency Service	431
South Australian Superannuation Board	466
South Australian Superannuation Scheme	481
South Australian Tourism Commission	506
South Australian Water Corporation	533

Volume 5

Southern Adelaide Local Health Network Incorporated	1
Southern State Superannuation Scheme	41
State Development, Department of	63
Super SA Retirement Investment Fund	138
Superannuation Funds Management Corporation of South Australia	162
TAFE SA	234
Treasury and Finance, Department of	273
University of Adelaide	355
University of South Australia	433
Urban Renewal Authority	507
Women's and Children's Health Network Incorporated	551

Southern Adelaide Local Health Network Incorporated

Financial report
for the year ended
30 June 2017

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Staff benefit expenses	4	675,875	692,498
Supplies and services	5	268,585	255,258
Depreciation and amortisation expense	6	31,439	29,503
Grants and subsidies	7	3,491	3,472
Borrowing costs	8	1,046	1,299
Net loss from disposal of non-current and other assets	14	255	386
Other expenses	9	857	59,371
Total expenses		981,548	1,041,787
Income			
Revenue from fees and charges	10	59,861	60,769
Grants and contributions	11	6,954	7,299
Interest revenue	12	171	227
Resources received free of charge	13	26	-
Other revenue	15	12,889	8,602
Total income		79,901	76,897
Net cost of providing services		901,647	964,890
Revenue from SA Government			
Revenue from SA Government	16	1,014,875	881,882
Total revenue from SA Government		1,014,875	881,882
Net result		113,228	(83,008)
Other comprehensive income			
Items that will not be reclassified to net result			
Changes in property, plant and equipment asset revaluation surplus		767	(10,619)
Total other comprehensive income		767	(10,619)
Total comprehensive result		113,995	(93,627)

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.

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	2017 \$ '000	2016 \$ '000
Current assets			
Cash and cash equivalents	17	25,487	31,256
Receivables	18	21,208	22,717
Inventories	20	3,135	3,018
		<u>49,830</u>	<u>56,991</u>
Non-current assets classified as held for sale	21	15,924	-
Total current assets		<u>65,754</u>	<u>56,991</u>
Non-current assets			
Receivables	18	4,060	4,366
Other financial assets	19	2,695	2,698
Property, plant and equipment	22	649,256	545,850
Total non-current assets		<u>656,011</u>	<u>552,914</u>
Total assets		<u>721,765</u>	<u>609,905</u>
Current liabilities			
Payables	24	32,552	26,952
Borrowings	25	3,546	3,033
Staff benefits	26	99,458	102,962
Provisions	27	6,604	6,636
Other liabilities	28	112	693
Total current liabilities		<u>142,272</u>	<u>140,276</u>
Non-current liabilities			
Payables	24	4,966	5,616
Borrowings	25	6,915	10,461
Staff benefits	26	105,737	107,748
Provisions	27	19,700	17,662
Other liabilities	28	312	274
Total non-current liabilities		<u>137,630</u>	<u>141,761</u>
Total liabilities		<u>279,902</u>	<u>282,037</u>
Net assets		<u>441,863</u>	<u>327,868</u>
Equity			
Asset revaluation surplus		1,055	288
Retained earnings		440,808	327,580
Total equity		<u>441,863</u>	<u>327,868</u>

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments 29

Contingent assets and liabilities 32

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

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2017

	Note	Asset revaluation surplus \$ '000	Retained earnings \$ '000	Total equity \$ '000
Balance at 30 June 2015		15,857	406,799	422,656
Restated balance at 30 June 2015		15,857	406,799	422,656
Net result for 2015-16		-	(83,008)	(83,008)
Gain/(loss) on revaluation of plant and equipment	23	(10,619)	-	(10,619)
Total comprehensive result for 2015-16		(10,619)	(83,008)	(93,627)
Transfer between equity components		(4,950)	4,950	-
Transactions with SA Government as owner				
Net assets received from an administrative restructure	31	-	(1,161)	(1,161)
Balance at 30 June 2016		288	327,580	327,868
Restated balance at 30 June 2016		288	327,580	327,868
Net result for 2016-17		-	113,228	113,228
Gain/(loss) on revaluation of land and buildings	23	767	-	767
Total comprehensive result for 2016-17		767	113,228	113,995
Balance at 30 June 2017		1,055	440,808	441,863

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

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

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK

STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Note	2017 \$ '000	2016 \$ '000
Cash flows from operating activities			
Cash outflows			
Staff benefit payments		(679,249)	(655,686)
Payments for supplies and services		(282,806)	(275,423)
Payments of grants and subsidies		(3,793)	(3,474)
Interest paid		(1,046)	(1,299)
Payments for paid parental leave scheme		(2,218)	(2,379)
Other payments		(885)	(1,043)
Cash used in operations		(969,997)	(939,304)
Cash inflows			
Fees and charges		62,934	66,138
Grants and contributions		7,721	7,802
Interest received		171	227
GST recovered		16,698	17,391
Receipts for paid parental leave scheme		2,166	2,381
Other receipts		8,754	8,532
Cash generated from operations		98,444	102,471
Cash flows from SA Government			
Receipts from SA Government		888,554	848,887
Cash generated from SA Government		888,554	848,887
Net cash provided by / (used in) operating activities		17,001	12,054
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(19,550)	(17,335)
Cost of sales from property, plant and equipment		(211)	-
Cash used in investing activities		(19,761)	(17,335)
Cash inflows			
Proceeds from sale of property, plant and equipment		24	37
Cash generated from investing activities		24	37
Net cash provided by/(used in) investing activities		(19,737)	(17,298)
Cash flows from financing activities			
Cash outflows			
Repayment of borrowings		(3,033)	(1,948)
Cash used in financing activities		(3,033)	(1,948)
Net cash provided by/(used in) financing activities		(3,033)	(1,948)
Net increase/(decrease) in cash and cash equivalents		(5,769)	(7,192)
Cash and cash equivalents at the beginning of the period		31,256	38,448
Cash and cash equivalents at the end of the period	33	25,487	31,256
Non-cash transactions	33		

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

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

1 Objectives of Southern Adelaide Local Health Network

The Southern Adelaide Local Health Network Incorporated (the Hospital) is committed to a health system that produces positive health outcomes by focusing on health promotion, illness prevention, early intervention and achieving equitable health outcomes for all South Australians.

The Hospital is part of the SA Health portfolio providing health services for southern Adelaide, and is responsible to the Minister for Health, the Minister for Mental Health and Substance Abuse and the Minister for Ageing.

The Hospital is structured to contribute to the outcomes for which the portfolio is responsible by providing hospital-based tertiary care including medical, surgical and other acute services, rehabilitation, mental and palliative health and other community health services to veterans and other persons living within the southern Adelaide metropolitan area.

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

The Southern Adelaide Local Health Network Advisory Council Incorporated was established pursuant to the *Health Care Act 2008* (the Act). The Council's functions include advising, monitoring, providing strategic oversight, conferring and making recommendations to the Chief Executive of the Department and Chief Executive Officer of the Hospital. The Council has no powers to direct or make decisions with respect to the management and administration of the Hospital.

1.1 Reporting entity

The Hospital was incorporated on 1 July 2011 under the Act.

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

The Hospital does not control any other entity. It does have an interest in an unconsolidated structured entity (Flinders Fertility). Information on the Hospital's interests in other entities is at Note 34.

The Hospital has administered activities and resources. Transactions and balances relating to administered resources are not recognised as the Hospital's controlled income, expenses, assets and liabilities. As administered items are insignificant in relation to the Hospital's overall financial performance and position, they are disclosed in the Schedule of Administered Financial Statements following the general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for the Hospital's transactions.

2 Significant accounting policies

2.1 Statement of compliance

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

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

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

2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the hospital's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, that have been included in this financial report:
 - a) revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature;
 - b) expenses incurred as a result of engaging consultants;
 - c) staff targeted voluntary separation package (TVSP) information;
 - d) staff whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths), and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those staff; and

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

- 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 and are presented in Australian currency; and have used the historical cost convention unless a different measurement basis is specifically disclosed in the note associated with 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.

Where restated, they do not replace the original financial statements for the preceding period.

2.4 Rounding

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

2.5 Taxation

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

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

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

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

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

2.6 Continuity of Operations

As at 30 June 2017, the hospital had working capital deficiency of \$76.518 million (\$83.285 million deficiency). The SA Government is committed and has consistently demonstrated a commitment to the ongoing funding of the hospital to enable it to perform its functions.

2.7 Events after the reporting period

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

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

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

2.8 Current and non-current classification

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

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.

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

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

b. Depreciation and amortisation of non-current assets

All non-current assets, that have a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

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

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

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

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

<u>Class of asset</u>	<u>Useful life (years)</u>
Buildings and improvements	01 - 60
Leasehold improvements	Life of lease
Plant and equipment:	
• Medical, surgical, dental and biomedical equipment and furniture	3 - 25
• Other plant and equipment	3 - 50

c. Revaluation of non-current assets

All non-current tangible assets are valued at written down cost (a proxy for fair value).

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

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

Non-current tangible assets that are acquired between revaluations are held at cost, until the next valuation, when they are revalued to fair value.

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

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

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

d. Impairment

The Hospital holds its property, plant and equipment and intangible assets for their service potential (value in use). All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any costs of disposal would be negligible, accordingly the recoverable amount will be closer to or greater than fair value. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. The amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets, an impairment loss is offset against the revaluation surplus for that class of assets, to the extent that the impairment loss does not exceed the amount in the respective asset revaluation surplus.

e. 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.

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

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

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

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

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

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

2.10 Liabilities - Staff benefits

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

Salaries, wages, annual leave, skills experience and 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. 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 (LSL)

The liability for LSL was determined through an actuarial assessment undertaken by Mercer Consulting (Australia) Pty Ltd, in accordance with AASB 119 *Employee Benefits*.

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

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

2.11 Equity

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

3 New and revised accounting standards and policies

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

Accounting Standards

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

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Reference	Title and date of Standard application	Summary	Impact on financial statements	Application date for the hospital
AASB 15	<i>Revenue from Contracts with Customers</i> 1 Jan 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 1058	<i>Income of Not-for-Profit Entities</i> 1 Jan 2019	This standard clarifies and simplifies the income recognition requirements that apply to not-for-profit entities in conjunction with AASB 15. AASB 15 and 1058 will supersede the majority of income recognition requirements relating to public sector not-for-profit entities, previously in AASB 1004. The timing of income recognition depends on whether a transaction gives rise to a liability or other performance obligation or a contribution by owners related to an asset received by the entity. AASB 1058 applies when a not-for-profit entity receives volunteer services or enters into other transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives.	SA Health is currently assessing the impact of AASB 1058 and has identified there could be a potential impact on the timing of the recognition of grant revenue and disclosures relating to volunteer services, whether recognised or not. At this stage, SA Health is not able to estimate the impact of AASB 1058 on its financial statements. SA Health will make a more detailed assessment of the impact over the next 12 months.	1 July 2019

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

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 the hospital to record almost all operating leases arrangements on the Statement of Financial Position. There will be significant work for the hospital to report these assets and liabilities due to the large scale of its leasing activities. The Hospital has not yet quantified the impact on the Statement of Comprehensive Income or the Statement of Financial Position of applying AASB 16 to its current operating lease arrangements.	1 July 2019
---------	---------------------------------	---	---	-------------

4 Staff benefit expenses

	2017 \$'000	2016 \$'000
Salaries and wages	547,286	537,909
TVSP (refer below)	-	58
Long service leave (LSL)	8,478	30,931
Annual leave	50,776	48,335
Skills and experience retention leave (SERL)	2,284	2,087
Staff on-costs - superannuation*	55,465	55,919
Workers compensation	8,886	14,510
Board and committee fees	106	95
Other staff related expenses	2,594	2,654
Total staff benefit expenses	675,875	692,498

* The superannuation employment on-cost charge represents the hospital's contribution to superannuation plans in respect of current services of the hospital's current employees. The Department of Treasury and Finance (DTF) centrally recognises the superannuation liability in the whole-of-government financial statements.

	2017 \$'000	2016 \$'000
Targeted voluntary separation packages (TVSPs)		
Amount paid during the reporting period to separated staff:		
TVSPs	-	58
Annual leave, LSL and SERL paid to those employees	-	30
	-	88
Net cost to the hospital	-	88
Number of staff who received a TVSP during the reporting period	-	1

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

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	64	76
\$157,001 - \$167,000	53	47
\$167,001 - \$177,000	51	33
\$177,001 - \$187,000	26	19
\$187,001 - \$197,000	20	17
\$197,001 - \$207,000	17	9
\$207,001 - \$217,000	14	15
\$217,001 - \$227,000	14	18
\$227,001 - \$237,000	18	20
\$237,001 - \$247,000	14	15
\$247,001 - \$257,000	16	8
\$257,001 - \$267,000	6	8
\$267,001 - \$277,000	6	8
\$277,001 - \$287,000	10	7
\$287,001 - \$297,000	16	5
\$297,001 - \$307,000	8	13
\$307,001 - \$317,000	9	13
\$317,001 - \$327,000	16	10
\$327,001 - \$337,000	8	13
\$337,001 - \$347,000	8	8
\$347,001 - \$357,000	10	9
\$357,001 - \$367,000	10	9
\$367,001 - \$377,000	14	18
\$377,001 - \$387,000	13	19
\$387,001 - \$397,000	7	10
\$397,001 - \$407,000	16	5
\$407,001 - \$417,000	8	12
\$417,001 - \$427,000	9	7
\$427,001 - \$437,000	9	10
\$437,001 - \$447,000	10	9
\$447,001 - \$457,000	11	8
\$457,001 - \$467,000	4	7
\$467,001 - \$477,000	1	7
\$477,001 - \$487,000	6	4
\$487,001 - \$497,000	3	4
\$497,001 - \$507,000	5	7
\$507,001 - \$517,000	9	2
\$517,001 - \$527,000	6	1
\$527,001 - \$537,000	4	3
\$537,001 - \$547,000	1	1
\$547,001 - \$557,000	1	1
\$557,001 - \$567,000	1	1
\$607,001 - \$617,000	1	1
\$647,001 - \$657,000	1	-
Total	554	533

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

	2017		2016	
	No.	\$'000	No.	\$'000
Total remuneration received or due and receivable by staff included above:				
Medical (excluding Nursing) remuneration	515	145,386	499	138,812
Executive remuneration	6	1,256	7	1,523
Nursing remuneration	32	5,087	22	3,355
Non-medical (i.e. administration) remuneration	1	154	5	763
Total	554	151,883	533	144,453

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

5 Supplies and services

	2017 \$'000	2016 \$'000
Administration	215	309
Advertising	1,933	2,227
Communication	1,504	1,278
Computing	9,418	8,635
Contractors	2,248	1,872
Contractors - agency staff	15,208	15,113
Consultants	51	87
Drug supplies	17,845	18,974
Electricity, gas and fuel	6,157	6,372
Fee for service	32,849	31,687
Food supplies	10,455	10,532
Housekeeping	10,895	11,248
Insurance	6,164	5,820
Internal SA Health SLA payments	7,918	7,459
Legal	216	197
Medical, surgical and laboratory supplies	86,971	74,368
Minor equipment	2,236	2,447
Motor vehicle expenses	2,741	2,213
Occupancy rent and rates	3,693	4,827
Patient transport	5,884	5,929
Payments to Shared Services SA	5,119	5,266
Postage	1,090	994
Printing and stationery	2,126	2,128
Rental expense on operating lease*	567	44
Repairs and maintenance	11,206	11,622
Security	5,665	5,035
Staff training and development	9,080	9,640
Staff travel expenses	557	555
Other supplies and services	8,574	8,380
Total supplies and services	268,585	255,258

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

Professional indemnity and general public insurance

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

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2017 No.	2017 \$'000	2016 No.	2016 \$'000
Below \$10,000	-	-	-	-
Above \$10,000	3	51	2	87
Total paid/payable to consultants engaged	3	51	2	87

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

6 Depreciation and amortisation expense

	2017	2016
	\$'000	\$'000
Buildings and improvements	27,725	25,167
Medical, surgical, dental and biomedical equipment	2,946	3,658
Other plant and equipment	429	428
Leasehold improvements	339	250
Total depreciation and amortisation	31,439	29,503

7 Grants and subsidies

	2017	2016
	\$'000	\$'000
Subsidies	41	69
Funding to non-government organisations	3,438	3,357
Other	12	46
Total grants and subsidies	3,491	3,472

The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. Contributions payable will be recognised as a liability and an expense when the hospital has a present obligation to pay the contribution and the expense recognition criteria are met.

8 Borrowing costs

	2017	2016
	\$'000	\$'000
Interest on borrowings	1,046	1,299
Total borrowing cost expenses	1,046	1,299

The Hospital does not capitalise borrowing costs. The total borrowing costs from financial liabilities not at fair value through profit and loss was \$1.046 million (\$1.299 million).

9 Other expenses

	Note	2017	2016
		\$'000	\$'000
Bad and doubtful debts	18	(135)	(42)
Bank fees and charges		39	27
Donated assets expense		-	214
Ex gratia payments		19	-
Impairment expense		-	47,299
Net loss on revaluation of investments		3	-
Assets transferred to the Department		-	10,922
Other*		931	951
Total other expenses		857	59,371

Donated assets expense includes transfer of property, plant and equipment and intangible assets and is recorded as expenditure at their fair value.

*Audit fees paid or payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$0.333 million (\$0.326 million). No other services were provided by the Auditor-General's Department.

10 Revenue from fees and charges

	2017	2016
	\$'000	\$'000
Fines, fees and penalties	39	51
Insurance recoveries	10	5
Patient and client fees	27,544	31,884
Private practice fees	5,296	4,225
Recoveries	22,184	19,826
Sale of goods - medical supplies	568	564
Other user charges and fees	4,220	4,214
Total fees and charges	59,861	60,769

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

11 Grants and contributions

	2017	2016
	\$'000	\$'000
Commonwealth grants and donations	868	498
Other SA Government grants and contributions	1,749	3,140
Private sector grants and contributions	4,337	3,661
Total grants and contributions	6,954	7,299

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

The grants received are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Restrictions on contributions received

Of the \$6.954 million (\$7.299 million) received in 2016-17 for grants and contributions, \$1.721 million (\$0.834 million) was provided for specific purposes, such as research and associated activities.

12 Interest revenue

	2017	2016
	\$'000	\$'000
Bank interest	-	5
Interest on Special Purpose Funds (SPF)	171	222
Total interest revenue	171	227

13 Resources received free of charge

	2017	2016
	\$'000	\$'000
Plant and equipment	26	-
Total resources received free of charge	26	-

Resources received free of charge include property, plant and equipment 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.

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

	2017	2016
	\$'000	\$'000
Land and buildings:		
Net book value of assets disposed	-	(22)
Less other costs of disposal	(211)	-
Net gain/(loss) from disposal of land and buildings	(211)	(22)
Plant and equipment:		
Proceeds from disposal	24	37
Less net book value of assets disposed	(68)	(401)
Net gain/(loss) from disposal of plant and equipment	(44)	(364)
Total assets:		
Total proceeds from disposal	24	37
Less total value of assets disposed	(68)	(423)
Less other costs of disposal	(211)	-
Total net gain/(loss) from disposal of non-current and other assets	(255)	(386)

Gains or losses on disposal are recognised at the date control of the asset is passed from the hospital and are determined after deducting the cost of the asset from the proceeds at that time. When revalued assets are disposed, the revaluation surplus is transferred to retained earnings.

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

15 Other revenues/income

	2017	2016
	\$'000	\$'000
Commissions revenue	35	37
Royalty income	-	7
Training revenue	2	16
Donations	1	125
Car parking revenue	2,328	2,433
Buildings & improvements_reverse impairment	3,979	-
Other	6,544	5,984
Total other revenues	12,889	8,602

16 Revenue from SA Government

	2017	2016
	\$'000	\$'000
Recurrent funding	868,446	831,954
Capital funding	146,429	49,928
Total revenue from Department for Health and Ageing	1,014,875	881,882

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

17 Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Cash at bank or on hand - non-government financial institutions	1,602	1,520
Deposits with Treasurer	23,817	29,585
Imprest account/cash on hand	68	151
Total cash	25,487	31,256

Cash is measured at nominal amounts.

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

Deposits with the Treasurer

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

18 Receivables

Current		2017	2016
	Note	\$'000	\$'000
Patient/client fees			
Compensable		984	3,457
Other		9,167	8,418
Debtors		4,386	5,409
Less: allowance for doubtful debts	18.1	(1,878)	(3,418)
Prepayments		3,552	3,667
Sundry receivables and accrued revenue		1,435	1,580
GST recoverable		260	254
Workers compensation provision recoverable		3,302	3,350
Total current receivables		21,208	22,717

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Non-current		
Debtors	83	96
Prepayments	1,765	1,912
Workers compensation provision recoverable	2,212	2,358
Total non-current receivables	4,060	4,366
Total receivables	25,268	27,083

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	2016
	\$'000	\$'000
Movements in the allowance for doubtful debts (impairment loss)		
Carrying amount at the beginning of the period	3,418	5,519
Amounts written off	(742)	(1,297)
Increase/(Decrease) in allowance recognised in the Statement of Comprehensive Income	(798)	(804)
Carrying amount at the end of the period	1,878	3,418

The Hospital has recognised a bad and doubtful debt expense of \$-0.135 million (\$-0.042 million).

Interest rate and credit risk

Receivables arise in the normal course of selling goods and services to other agencies and to the public. The Hospital's trading terms for receivables are generally 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the hospital will not be able to collect the debt. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to Note 30 for further information on risk management.

19 Other financial assets

	2017	2016
	\$'000	\$'000
Non-current		
Other investments*	2,695	2,698
Total investments	2,695	2,698

The Hospital measures financial assets and debts at historical cost.

* Flinders Reproductive Medicine Pty Ltd as trustee for Flinders Charitable Trust, trading as Flinders Fertility is the only joint arrangement in which the Hospital participates.

According to the terms of the joint venture, profit earned during the financial year is to be distributed to the beneficiaries, resulting in immaterial net assets being held by the trust. However, it has previously been agreed that rather than paying out these distributions, they be retained in Flinders Fertility as a liability to the beneficiaries to facilitate growth within the business. Therefore the Hospital recognises their ownership interest of the distribution as a financial asset.

Refer to Note 30 for further information on risk management.

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

20 Inventories

	2017	2016
	\$'000	\$'000
Current - held for distribution		
Drug supplies	653	555
Inventory imprest stock	2,138	2,090
Other	344	373
Total current inventories - held for distribution	3,135	3,018

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.

21 Non-current assets classified as held for sale

	2017	2016
	\$'000	\$'000
Land	2,572	-
Buildings and improvements	13,352	-
Total non-current assets classified as held for sale	15,924	-

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.

22 Property, plant and equipment

	2017	2016
	\$'000	\$'000
Land and buildings		
Land	28,011	29,816
Buildings and improvements	483,261	490,211
Accumulated depreciation - buildings and improvements	(46,932)	(27,168)
Buildings and improvements under construction (work in progress)	167,146	36,226
Total land, buildings and improvements	631,486	529,085
Leasehold improvements		
Leasehold improvements at fair value	5,781	5,781
Accumulated amortisation	(1,321)	(982)
Total leasehold improvements	4,460	4,799
Plant and equipment		
Medical, surgical, dental and biomedical equipment at cost (deemed fair value)	36,506	34,417
Accumulated depreciation - medical, surgical, dental and biomedical equipment	(27,255)	(26,337)
Other plant and equipment at cost (deemed fair value)	11,267	11,316
Accumulated depreciation - other plant and equipment	(8,238)	(8,261)
Plant and equipment under construction (work in progress)	1,030	831
Total plant and equipment	13,310	11,966
Total property, plant and equipment	649,256	545,850

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Valuation of land and buildings

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

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

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

Valuation of plant and equipment

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

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

Impairment

Impairment losses were recognised for property, plant and equipment assets as follows:

	2017	2016
	\$'000	\$'000
Impairment of property, plant and equipment:		
Buildings and improvements	3,979	(47,299)
Total impairment of property, plant and equipment	3,979	(47,299)

The change in contract of sale of the Repatriation General Hospital (RGH) from Returned Services League to ACH Group at a higher sales price has given rise to a partial reversal of the previous impairment event.

23 Fair Value Measurement

Fair Value Hierarchy

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

Fair value measurements

	2017		2016	
	Level 3	Total	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements				
Land (Note 22)	28,011	28,011	29,816	29,816
Buildings (Note 22)	436,329	436,329	463,043	463,043
Leasehold improvements (Note 22)	4,460	4,460	4,799	4,799
Plant and equipment (Note 22)	12,280	12,280	11,135	11,135
Total recurring fair value measurements	481,080	481,080	508,793	508,793
Non-recurring fair value measurements				
Land held for sale (Note 21)	2,572	2,572	-	-
Buildings held for sale (Note 21)	13,352	13,352	-	-
Total non-recurring fair value measurement:	15,924	15,924	-	-
Total	497,004	497,004	508,793	508,793

The Hospital's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. Valuation techniques and inputs used to derive Level 2 and 3 fair values are at Note 21 and 22.

Valuation techniques and inputs

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

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

Unobservable inputs used to arrive at final valuation figures included:

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

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK

Reconciliation of property, plant and equipment and investment properties

The following table shows the movement

2016-17

	Land and buildings			Plant and equipment				Total
	Land	Buildings	Capital works in progress land and buildings	Leasehold improvements	Medical/surgical/dental/ biomedical	Other plant and equipment	Capital works in progress plant and equipment	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the period	29,816	463,043	36,226	4,799	8,080	3,055	831	545,850
Additions	-	368	141,860	-	1,615	308	1,914	146,065
Assets received free of charge	-	-	-	-	26	-	-	26
Disposals	-	-	-	-	(34)	(34)	-	(68)
Transfers between asset classes	-	10,016	(10,940)	-	2,510	129	(1,715)	-
Reclassified to held for sale	(2,572)	(13,352)	-	-	-	-	-	(15,924)
Subtotal:	27,244	460,075	167,146	4,799	12,197	3,458	1,030	675,949
Gains/(losses) for the period recognised in net result:								
Depreciation and amortisation	-	(27,725)	-	(339)	(2,946)	(429)	-	(31,439)
Impairment (losses) / reversals	-	3,979	-	-	-	-	-	3,979
Subtotal:	-	(23,746)	-	(339)	(2,946)	(429)	-	(27,460)
Gains/(losses) for the period recognised in other comprehensive income:								
Revaluation increment / (decrement)	767	-	-	-	-	-	-	767
Subtotal:	767	-	-	-	-	-	-	767
Carrying amount at the end of the period	28,011	436,329	167,146	4,460	9,251	3,029	1,030	649,256

Resources received free of charge

The Hospital received medical equipment from the Department as part of an Insurance claim for damaged equipment.

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

2015-16

	Land and buildings		Plant and equipment				Total
	Land	Buildings	Capital works in progress land and buildings	Leasehold improvements	Medical/surgical/dental/biomedical	Other plant and equipment	Capital works in progress plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the period	50,935	526,366	2,159	1,861	9,473	2,996	1,465
Additions	-	-	47,369	-	1,485	35	685
Disposals	-	(10)	-	(12)	(279)	(122)	-
Donated assets disposal	(10,500)	(421)	-	-	(214)	-	-
Transfers between asset classes	-	9,574	(13,302)	3,200	1,273	574	(1,319)
Reclassified to held for sale	-	-	-	-	-	-	-
Subtotal:	40,435	535,509	36,226	5,049	11,738	3,483	831
Gains/(losses) for the period recognised in net result:							
Depreciation and amortisation	-	(25,167)	-	(250)	(3,658)	(428)	-
Impairment (losses) / reversals	-	(47,299)	-	-	-	-	-
Subtotal:	-	(72,466)	-	(250)	(3,658)	(428)	-
Gains/(losses) for the period recognised in other comprehensive income:							
Revaluation increment / (decrement)	(10,619)	-	-	-	-	-	-
Subtotal:	(10,619)	-	-	-	-	-	-
Carrying amount at the end of the period	29,816	463,043	36,226	4,799	8,080	3,055	831
545,850							

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

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

24 Payables

	2017	2016
	\$'000	\$'000
Current		
Creditors and accrued expenses	20,223	15,595
Paid Parental Leave Scheme payable	80	132
Staff on-costs*	10,534	9,705
Other payables	1,715	1,520
Total current payables	32,552	26,952
Non-current		
Staff on-costs*	4,772	5,423
Other payables	194	193
Total non-current payables	4,966	5,616
Total payables	37,518	32,568

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

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the percentage of proportion of long service leave taken as leave has decreased from the 2016 rate of 51% to 48%. Further Mercer Consulting (Australia) Pty Ltd has determined that the average factor for the calculation of employer superannuation cost on-cost has decreased from the 10.09% in 2016 to 9.40%. These rates are used in the employment on-cost calculation. The net financial effect of the above changes in the current financial year is a decrease in the employment on-cost of \$0.626 million and employee benefits expense of \$0.626 million. The estimated impact on 2018 and 2019 is \$0.651 million and \$0.677 million respectively.

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

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

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

Interest rate and credit risk

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owed. Sundry creditors are normally settled within 30 days from the date the invoice is first received. Staff on-costs are settled when the respective staff benefits that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.

Refer to Note 30 for further information on risk management.

25 Borrowings

	2017	2016
	\$'000	\$'000
Current		
Loans	3,546	3,033
Total current borrowings	3,546	3,033
Non-current		
Loans*	6,915	10,461
Total non-current borrowings	6,915	10,461
Total borrowings	10,461	13,494

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

The Hospital measures financial liabilities including borrowings/debt at historical cost.

* The contractual maturities for loans (financial liabilities at cost) is within 5 years.

Refer to Note 30 for further information on risk management.

Defaults and breaches

There were no defaults or breaches on any of the above liabilities throughout the year.

26 Staff benefits

	2017	2016
	\$'000	\$'000
Current		
Annual leave	64,543	61,519
Long service leave	15,795	14,352
Accrued salaries and wages	13,871	22,364
Skills and experience retention leave	5,062	4,635
Other	187	92
Total current staff benefits	99,458	102,962
Non-current		
Long service leave	105,737	107,748
Total non-current staff benefits	105,737	107,748
Total staff benefits	205,195	210,710

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by Mercer Consulting (Australia) Pty Ltd has provided a basis for the measurement of long service leave. AASB 119 requires the use of the yield on long term Commonwealth Government bonds 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 (1.90%) to 2017 (2.51%). This increase of 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 \$5.437 million and staff benefits expense of \$5.683 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.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4.00% for long service leave liability and 3.00% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

27 Provisions

		2017	2016
	Note	\$'000	\$'000
Current			
Workers compensation	27.1	6,604	6,636
Total current provisions		6,604	6,636
Non-current			
Workers compensation	27.1	19,700	17,662
Total non-current provisions		19,700	17,662
Total provisions		26,304	24,298

Workers Compensation

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

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

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

27.1 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	24,298	17,389
Increase in provisions recognised	3,860	10,324
Reductions arising from payments/other sacrifices of future economic benefits	(1,854)	(3,415)
Carrying amount at the end of the period	26,304	24,298

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.

28 Other liabilities

	2017	2016
	\$'000	\$'000
Current		
Unclaimed monies	-	227
Unearned revenue	105	445
Other	7	21
Total current other liabilities	112	693
Non-current		
Lease incentive	312	274
Total non-current other liabilities	312	274
Total other liabilities	424	967

29 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.

29.1 Operating lease revenue commitments

	2017	2016
	\$'000	\$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as assets are receivable as follows:		
Within one year	476	605
Later than one year but not longer than five years	184	1,162
Later than five years	-	506
Total operating lease revenue commitments	660	2,273

29.2 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	2,319	1,544
Later than one year but not longer than five years	5,379	4,860
Later than five years	7,099	11,774
Total operating lease commitments	14,797	18,178
Representing:		
Non-cancellable operating leases	14,797	18,178
Total operating lease commitments	14,797	18,178

The Hospital's operating lease expenses are for office accommodation and car parking. Office accommodation and car parking are leased from a variety of organisation. The leases are non-cancellable with various terms, some leases having the right of renewal. Rent is payable in arrears.

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

29.3 Other expenditure commitments

	2017	2016
	\$'000	\$'000
Within one year	33,889	33,762
Later than one year but not longer than five years	24,452	17,311
Total other expenditure commitments	58,341	51,073

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

30 Financial instruments / financial risk management

30.1 Financial risk management

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

The Hospital's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity risk

The Hospital is funded principally by the Department for Health and Ageing. The Department for Health and Ageing works with the Department of Treasury and Finance to determine the cash flows associated with the SA Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to Note 24 and 25 for further information.

Credit and market risk

The Hospital has policies and procedures in place to ensure that debtors are managed appropriately. The Hospital does not trade in foreign currency, enter into transactions for speculative purposes, nor for hedging. No collateral is held as security and no credit enhancements relate to financial assets held by the Hospital.

Refer to Notes 17, 18 and 19 for further information.

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

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

30.2 Categorisation of financial instruments

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

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

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

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer Notes 2, 18 and 24).
- Borrowings are initially recognised at fair value, plus any transaction cost directly attributable to the borrowings, then subsequently held at amortised cost. The fair value of borrowings approximates the carrying amount, as the impact of discounting is not significant (refer Notes 2 and 25).
- 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 19).

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
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, 33	25,487	31,256
Loans and receivables			
Receivables ^{(1) (2)}	18	14,044	15,403
Held to maturity investments			
Other financial assets	19	2,695	2,698
Total financial assets		42,226	49,357
Financial liabilities			
Financial liabilities at cost			
Payables ⁽¹⁾	24	21,799	16,982
Borrowings	25	10,461	13,494
Other liabilities	28	319	522
Total financial liabilities		32,579	30,998

⁽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.

31 Transferred functions

Transferred in

Assets and liabilities transferred were:	2017	2016
	\$'000	\$'000
Payables	-	82
Staff benefits	-	1,079
Total liabilities	-	1,161

Total net assets transferred	-	(1,161)
-------------------------------------	----------	----------------

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

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 LHNs and SAAS.

Transferred out

2016-17

- There were no transfers out during this period.

2015-16

- There were no transfers out during this period.

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

32 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed within this note and, if quantifiable are measured at nominal value. Contingencies are disclosed net of the amount of GST recoverable or payable. If GST is not recoverable or payable, the contingencies are disclosed on a gross basis.

Contingent Assets

The Hospital is not aware of any contingent assets.

33 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	25,487	31,256
Cash as per Statement of Financial Position	25,487	31,256
Balance as per the Statement of Cash Flows	25,487	31,256
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash provided by (used in) operating activities	17,001	12,054
Department for Health and Ageing contributions for the provision of health services	(1,014,875)	(881,882)
Add/less non-cash items		
Depreciation and amortisation expense of non-current assets	(31,439)	(29,503)
Impairment of non-current assets	3,979	(47,299)
Gain/(loss) on sale or disposal of non-current assets	(255)	(386)
Assets acquired at no cost or nominal consideration	26	-
Assets transferred to the Department	-	(10,921)
Donated Asset Expense	-	(214)
Assets acquired from the Department capital program	126,515	32,239
Recognition of investment	(3)	404
Movement in assets and liabilities		
Increase (decrease) in receivables	(1,815)	(2,461)
Increase (decrease) in inventories	117	(177)
(Increase) decrease in staff benefits	5,515	(28,630)
(Increase) decrease in payables and provisions	(6,956)	(7,874)
(Increase) decrease in other liabilities	543	(240)
Net cost of providing services	(901,647)	(964,890)

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.

34 Interests in other entities

Equity accounted investment

Entity Name: Flinders Reproductive Medicine Pty Ltd as trustee for Flinders Charitable Trust, trading as Flinders Fertility

Ownership interest: 50%

Disclosure:

Flinders Reproductive Medicine Pty Ltd as trustee for Flinders Charitable Trust, trading as Flinders Fertility is the only joint arrangement in which the Hospital participates.

Flinders Fertility is a private fertility clinic based within Flinders Medical Centre in Bedford Park, South Australia. Flinders Fertility is structured as a private trust which is not a reporting entity and is not publicly listed. The Hospital and Flinders University each have a 50% beneficial entitlement to the net assets of the trust. Accordingly, the interest is classified as a joint venture with the investment measured using the equity accounting method.

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Profit earned during the financial year is attributed to the beneficiaries, resulting in immaterial net assets being held by the trust. It has previously been agreed that rather than paying out these distributions, they be retained in Flinders Fertility as a liability to the beneficiaries to facilitate growth within the business. The following table summarises the financial information of Flinders Fertility based on currently available information:

	2017	2016
	50%	50%
Percentage ownership interest		
	\$'000	\$'000
Current assets	4,361	5,316
Non-current assets	2,052	1,036
Current liabilities	(650)	(6,232)
Non-current liabilities	(5,763)	(120)
Net assets	-	-
Groups share of net assets (50%)		
Share of beneficial entitlement	2,695	2,698
Carrying amount of interest in joint	2,695	2,698
Revenue	4,980	5,174
Expenses	(4,904)	(4,365)
Profit and total comprehensive income	76	809
Entity's share of profit and total comprehensive income (50%)	38	404

35 Transactions with SA Government

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

Note	SA Government		Non-SA Government		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
4 Staff benefit expenses	2,779	2,677	673,096	689,821	675,875	692,498
5 Supplies and services	112,299	97,422	156,286	157,836	268,585	255,258
Administration	5	13	210	296	215	309
Advertising	174	103	1,759	2,124	1,933	2,227
Communication	465	171	1,039	1,107	1,504	1,278
Computing	8,632	7,897	786	738	9,418	8,635
Contractors	966	1,300	1,282	572	2,248	1,872
Contractors - agency staff	5,287	5,423	9,921	9,690	15,208	15,113
Consultants	-	-	51	87	51	87
Drug supplies	428	482	17,417	18,492	17,845	18,974
Electricity, gas and fuel	1	19	6,156	6,353	6,157	6,372
Fee for service	300	237	32,549	31,450	32,849	31,687
Food supplies	308	368	10,147	10,164	10,455	10,532
Housekeeping	1,475	1,485	9,420	9,763	10,895	11,248
Insurance	6,163	5,820	1	-	6,164	5,820
Internal SA Health SLA payments	7,918	7,459	-	-	7,918	7,459
Legal	192	157	24	40	216	197
Medical, surgical and laboratory	54,571	38,738	32,400	35,630	86,971	74,368
Minor equipment	534	669	1,702	1,778	2,236	2,447
Motor vehicle expenses	1,279	1,412	1,462	801	2,741	2,213
Occupancy rent and rates	1,631	2,050	2,062	2,777	3,693	4,827
Patient transport	5,446	5,191	438	738	5,884	5,929
Payments to Shared Services SA	5,119	5,266	-	-	5,119	5,266
Postage	15	7	1,075	987	1,090	994
Printing and stationery	654	633	1,472	1,495	2,126	2,128
Rental expense on operating lease	-	-	567	44	567	44
Repairs and maintenance	9,578	11,622	1,628	-	11,206	11,622
Security	475	406	5,190	4,629	5,665	5,035
Staff training and development	17	6	9,063	9,634	9,080	9,640
Staff travel expenses	-	1	557	554	557	555
Other supplies and services	666	487	7,908	7,893	8,574	8,380
6 Depreciation and amortisation expense	-	-	31,439	29,503	31,439	29,503

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Note	SA Government		Non-SA Government		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
7 Grants and subsidies	12	46	3,479	3,426	3,491	3,472
Subsidies	-	-	41	69	41	69
Funding to non-government organisations	-	-	3,438	3,357	3,438	3,357
Other	12	46	-	-	12	46
8 Borrowing costs	1,046	1,299	-	-	1,046	1,299
14 Net loss from disposal of non-current and other assets	12	-	243	386	255	386
Total proceeds from disposal	-	-	(24)	(37)	(24)	(37)
Less total value of assets disposed	-	-	68	423	68	423
Less other costs of disposal	12	-	199	-	211	-
9 Other expenses	1,042	12,137	(185)	47,234	857	59,371
Bad and doubtful debts	-	-	(135)	(42)	(135)	(42)
Bank fees and charges	-	-	39	27	39	27
Donated assets expense	-	214	-	-	-	214
Ex gratia payments	-	-	19	-	19	-
Impairment expense	-	-	-	47,299	-	47,299
Net loss on revaluation of investments	-	-	3	-	3	-
Assets transferred to the Department	-	10,922	-	-	-	10,922
Other	1,042	1,001	(111)	(50)	931	951
TOTAL EXPENSES	117,190	113,581	864,358	928,206	981,548	1,041,787
INCOME						
10 Revenue from fees and charges	11,178	10,068	48,683	50,701	59,861	60,769
Fines, fees and penalties	-	-	39	51	39	51
Insurance recoveries	-	5	10	-	10	5
Patient and client fees	113	-	27,431	31,884	27,544	31,884
Private practice fees	-	-	5,296	4,225	5,296	4,225
Recoveries	10,963	9,927	11,221	9,899	22,184	19,826
Sale of goods - medical supplies	45	55	523	509	568	564
Other user charges and fees	57	81	4,163	4,133	4,220	4,214
11 Grants and contributions	1,749	3,140	5,205	4,159	6,954	7,299
Commonwealth grants and donations	-	-	868	498	868	498
Other SA Government grants and contributions	1,749	3,140	-	-	1,749	3,140
Private sector grants and contributions	-	-	4,337	3,661	4,337	3,661
12 Interest revenue	171	222	-	5	171	227
13 Resources received free of charge	-	-	26	-	26	-
15 Other revenue	1,916	1,621	10,973	6,981	12,889	8,602
Commissions revenue	-	-	35	37	35	37
Royalty income	-	-	-	7	-	7
Training revenue	2	16	-	-	2	16
Donations	-	-	1	125	1	125
Car parking revenue	4	5	2,324	2,428	2,328	2,433
Buildings & improvements_reverse impairment	-	-	3,979	-	3,979	-
Other	1,910	1,600	4,634	4,384	6,544	5,984
16 Revenue from SA Government	1,014,875	881,882	-	-	1,014,875	881,882
TOTAL INCOME	1,029,889	896,933	64,887	61,846	1,094,776	958,779

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
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
FINANCIAL ASSETS						
17 Cash and cash equivalents	23,817	29,585	1,670	1,671	25,487	31,256
18 Receivables	5,601	5,747	19,667	21,336	25,268	27,083
Patient/client fees						
Compensable	-	-	984	3,457	984	3,457
Other	-	-	9,167	8,418	9,167	8,418
Debtors	87	39	4,382	5,466	4,469	5,505
Less: allowance for doubtful debts	-	-	(1,878)	(3,418)	(1,878)	(3,418)
Prepayments	-	-	5,317	5,579	5,317	5,579
Sundry receivables and accrued revenue	-	-	1,435	1,580	1,435	1,580
GST recoverable	-	-	260	254	260	254
Workers compensation provision recoverable	5,514	5,708	-	-	5,514	5,708
19 Other financial assets	-	-	2,695	2,698	2,695	2,698
Other investments	-	-	2,695	2,698	2,695	2,698
TOTAL FINANCIAL ASSETS	29,418	35,332	24,032	25,705	53,450	61,037
FINANCIAL LIABILITIES						
24 Payables	3,072	2,768	34,446	29,800	37,518	32,568
Creditors and accrued expenses	3,072	2,768	17,151	12,827	20,223	15,595
Paid Parental Leave Scheme payable	-	-	80	132	80	132
Staff on-costs*	-	-	15,306	15,128	15,306	15,128
Other payables	-	-	1,909	1,713	1,909	1,713
25 Borrowings	10,461	13,494	-	-	10,461	13,494
Loans	10,461	13,494	-	-	10,461	13,494
28 Other liabilities	(8)	-	432	967	424	967
Unclaimed monies	-	-	-	227	-	227
Unearned revenue	-	-	105	445	105	445
Lease incentive	-	-	312	274	312	274
Other	(8)	-	15	21	7	21
TOTAL FINANCIAL LIABILITIES	13,525	16,262	34,878	30,767	48,403	47,029

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

36 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 Accounting Policy Framework *APF II General Purpose Financial Statements Framework* were:

Board/Committee name:		Government employee members*	Other members
Consumer Administration Liaison Meeting		9	Buer S, Hofhius C (appointed 18/05/2017), Tapley D (resigned 01/10/2016)
DASSA Community Advisory Council (Established 01/10/2016) ⁽¹⁾		5	Agius H, Braund S, Cauchi R, Davis J, Hellier T, Huber N, Kelly K, Les D, Mcchendrie T, Mohan V (resigned 19/01/2017), Moore P, Nimmo E, Percy S, Porcaro R
DASSA Public Information Review Panel (Established 20/07/2016) ⁽¹⁾		10	Davis J, Hellier T (Chair) (resigned 29/11/2016), Kelly K, Martini J, Percy S
Outpatients Reconfiguration Working Group (Established 01/11/2016) ⁽¹⁾		16	Dame T, Hoiles J
Partnering with Consumer Advisory Group		19	Barrington D (appointed 22/08/2016), Buer S (resigned 17/02/2017), Byrne J (resigned 08/08/2016), Christensen C (appointed 13/02/2017), Dame T, Davies S (appointed 13/02/2017), Goodwin M (appointed 01/07/2016 - resigned 09/02/2017), Hoiles J, Kerrins E (resigned 08/08/2016), King P (appointed 01/07/2016), Klinge N (Chair), Lemmer C, Mammion J (appointed 01/01/2017), Mcinerney M (appointed 13/02/2017), Milne A (resigned 30/04/2017), Vale Male E (resigned 21/02/2017), Voss D, Wolverson S (appointed 01/01/2017)
Recovery College Steering Committee		12	Buer S, Desma M (appointed 21/09/2016), Martini J (appointed 21/02/2017), Page B, Penberthy V, Speake M (appointed 21/09/2016), Thiel Y (appointed 20/02/2017), Tsogas C, Warren J (appointed 20/02/2017), Winfield U (appointed 20/02/2017)
Southern Adelaide Clinical Human Research Ethics Committee		15	Barr C, Benjamin S, Bradshaw A, Breaden K, Docherty J (appointed 20/02/2017), Hinton-Humphries G (resigned 05/01/2017), Hunter D (resigned 29/08/2016), McEvoy M, Meng R, Richards B (Chair), Sorenson L, Were L, Woodman R (resigned 21/02/2017), Zhou Y
Southern Adelaide Local Health Network Audit & Risk Management Committee			Dreckow J, Hislop R, Stubbs T (Chair), Taylor M
Southern Adelaide Local Health Network Clinical Council		32	Bishop R, Fernando H, Voss D
Southern Adelaide Local Health Network Clinical Handover Steering Committee ⁽²⁾		20	Dame T (appointed 01/08/2016)
Southern Adelaide Local Health Network Drugs and Therapeutics Committee ⁽²⁾		26	Barrington D (appointed 01/04/2017), Voss D (resigned 31/03/2017)
Southern Adelaide Local Health Network Falls Prevention Management Committee ⁽²⁾		36	Cohen M
Southern Adelaide Local Health Network Health Advisory Council Incorporated		1	Barrington D (appointed 25/07/2016), Bishop R (resigned 30/06/2017), Hislop R (resigned 30/06/2017), Kerrins E (resigned 30/06/2016), Taylor A (resigned 30/06/2016), Williams H (Chair) (resigned 30/06/2017), Williams S (resigned 30/06/2017), Wilson B (resigned 30/06/2017)
Southern Adelaide Local Health Network Older Persons Mental Health Services Consumer and Carer Advisory Group		2	Ainsley J, Andrew G (appointed 05/12/2016), Anthony P, Oko J, Oko R, Shepherd K
Southern Adelaide Local Health Network Recognising and Responding to Clinical Deterioration Steering Committee - Standard 9 ⁽²⁾		40	Voss D
Southern Mental Health Clinical Governance Committee		3	Bower T (resigned 16-17), Buer S (appointed 09/11/2016), Hayes B, Hofhius C (appointed 09/11/2016), Quirk M

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

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

	2017 No. of Members**	2016 No. of Members**
\$0	215	59
\$1 - \$9,999	44	29
\$10,000 - \$19,999	3	1
\$20,000 - \$29,999	1	1
Total	263	90

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 \$0.110 million (\$0.095 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.

⁽¹⁾ Three new committees were established in 2016-17, thereby increasing members disclosed by 52.

⁽²⁾ Four existing committees were reported in 2016-17 for the first time due to a change in policy that included paid consumer representatives being added to committee memberships. This increased members disclosed by 127.

** Members that sit on several boards/committees are only disclosed once in the bands.

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.

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

37 Related party transactions

The Hospital is controlled by the SA Government.

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

Significant transactions with government related entities

The Hospital received funding from the SA Government via the Department (Note 16), and incurred expenditure via the Department for medical, surgical and laboratory supplies, computing, insurance and inter-health staff recharging (Note 5 and 35). The Department transferred capital works in progress of \$126.515 million to the Hospital and an outstanding loan payable balance to the Department at 30 June was \$10.461 million. In addition, the Hospital incurred significant expenditure with the Department of Planning, Transport and Infrastructure (DPTI) for property repairs and maintenance of \$9.578 million and capital works of \$2.132 million (Note 5 and 35). As at 30 June the outstanding balance payable to DPTI was \$1.637 million.

Quantitative information about transactions and balances between the hospital and other SA Government controlled entities are disclosed at Note 35.

The Hospital has lease arrangements (both as lessee and as lessor) with other SA Government controlled entities. The premises are provided/received at nil or nominal rental.

Key Management Personnel

Key management personnel (KMP) of the Hospital includes the Ministers, the Chief Executive of the Department, Chief Executive Officer of the Hospital and the eleven members of the Executive Management Group who have responsibility for the strategic direction and management of the Hospital.

The compensation detailed below excludes salaries and other benefits received by:

- The Minister for Health, The Minister for Ageing and the Minister for Mental Health and Substance Abuse. These Ministers' remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*; and
- The Chief Executive of the Department. The Chief Executive of the Department is compensated by the Department and there is no requirement for the Hospital to reimburse those expenses.

	2017
Compensation	\$'000
Salaries and other short term employee benefits	2,207
Post-employment benefits	734
Total	2,941

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

The Hospital did not enter into any transactions with KMP or their close family in 2016-17 that were not consistent with normal procurement arrangements.

38 Schedules of administered funds

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

Description of categories of administered funds

The Woolshed is a smoke-free therapeutic community for people who have abused alcohol and/or other drugs. Located near Strathalbyn, the 28-hectare property provides a supportive drug-free rural environment with a structured program for personal growth and behavioural change.

Private Practice represents funds billed on behalf of salaried medical officers and subsequently distributed to the Hospital and salaried medical officers according to individual Rights of Private Practice Deeds of Agreement.

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Schedule of Administered Expenses and Income

	Private Practice Arrangements	The Woolshed	Total
	2017	2017	2017
	\$'000	\$'000	\$'000
Administered expenses			
Other expenses	26,949	402	27,351
Total administered expenses	26,949	402	27,351
Administered income			
Revenue from fees and charges	25,615	-	25,615
Other revenue	-	403	403
Total administered income	25,615	403	26,018
Net result	(1,334)	1	(1,333)

	Private Practice Arrangements	The Woolshed	Total
	2016	2016	2016
	\$'000	\$'000	\$'000
Administered expenses			
Other expenses	24,433	482	24,915
Total administered expenses	24,433	482	24,915
Administered income			
Revenue from fees and charges	22,914	-	22,914
Other revenue	-	485	485
Total administered income	22,914	485	23,399
Net result	(1,519)	3	(1,516)

Schedule of Administered Assets and Liabilities

	Private Practice Arrangements	The Woolshed	Total
	2017	2017	2017
	\$'000	\$'000	\$'000
Administered current assets			
Cash and cash equivalents	1,825	22	1,847
Receivables	853	-	853
Total administered current assets	2,678	22	2,700
Administered current liabilities			
Other current provisions/liabilities	22	-	22
Total administered current liabilities	22	-	22
Total administered liabilities	22	-	22
Net administered assets	2,656	22	2,678

SOUTHERN ADELAIDE LOCAL HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

	Private Practice Arrangements	The Woolshed	Total
	2016	2016	2016
	\$'000	\$'000	\$'000
Administered current assets			
Cash and cash equivalents	2,220	21	2,241
Receivables	1,792	5	1,797
Total administered current assets	4,012	26	4,038
Total administered assets	4,012	26	4,038
Administered current liabilities			
Other current provisions/liabilities	21	-	21
Total administered current liabilities	21	-	21
Total administered liabilities	21	-	21
Net administered assets	3,991	26	4,017

Schedule of Administered Changes in Equity

	Total 2017 \$'000	Total 2016 \$'000
Balance at the beginning of the reporting period	4,017	5,533
Restated Opening Balance	4,017	5,533
Net result	(1,333)	(1,516)
Total comprehensive result for the period	(1,333)	(1,516)
Balance at the end of the reporting period	2,684	4,017

Schedule of Administered Cash Flows

	Total 2017 \$'000	Total 2016 \$'000
Cash flows from operating activities		
Cash inflows		
Fees and charges	26,554	23,473
Other revenue	403	489
Total cash inflows	26,957	23,962
Cash outflows		
Other payments	27,351	24,921
Total cash outflows	27,351	24,921
Net cash inflows/cash outflows from operating	(394)	(959)
Net increase/(decrease) in cash held	(394)	(959)
Cash at the beginning of the reporting period	2,241	3,200
Cash at the end of the reporting period	1,847	2,241

Administered expenses and administered cash outflows

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

Administered incomes and administered cash inflows

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

Administered assets and liabilities

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

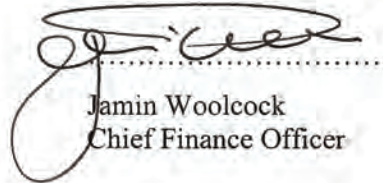
Certification of the financial statements

We certify that the:

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



Michael O'Keefe
Chief Executive Officer



Jamin Woolcock
Chief Finance Officer

Date 14/9/17

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chief Executive Officer Southern Adelaide Local Health Network Incorporated

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 36(2) of the *Health Care Act 2008*, I have audited the financial report of the Southern Adelaide Local Health Network Incorporated for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Southern Adelaide Local Health Network Incorporated as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

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

Basis for opinion

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

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

Responsibilities of the Chief Executive Officer for the financial report

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

Auditor's Responsibilities for the audit of the financial report

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

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

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

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

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

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

Andrew Richardson

Auditor-General

20 September 2017

Southern State Superannuation Scheme

Financial report
for the year ended
30 June 2017

Southern State Superannuation Scheme

Statement of Financial Position As at 30 June 2017

	Note	2017 \$000	2016 \$000
Assets			
Cash		15 996	25 309
Receivables	6	613	315
Contributions receivable	7	24 039	17 801
Investments	4		
Cash investments		605 327	585 443
Inflation Linked Securities A		1 215 647	1 097 227
Property A		1 819 833	1 654 139
Australian Equities A		3 307 080	2 849 890
International Equities A		3 347 791	2 865 363
Long Term Fixed Interest		1 026 539	846 615
Short Term Fixed Interest		449 277	374 568
Diversified Strategies Growth A		1 251 884	1 156 677
Diversified Strategies Income		2 335 913	2 038 617
Socially Responsible		46 897	55 027
Total assets		15 446 836	13 566 991
Liabilities			
Benefits payable		55 390	25 596
Payables	8	476	134
Unearned revenue		568	49
Insurance liabilities		22 216	19 191
Total liabilities excluding member benefits		78 650	44 970
Net assets available for member benefits	18	15 368 186	13 522 021
Member benefit liabilities	3	15 187 504	13 349 428
Total net assets		180 682	172 593
Equity			
Death, invalidity and income protection insurance reserve	9	149 835	141 260
Administration fee reserve	10	7 518	5 962
Operational risk reserve	11	30 050	27 424
Investment allocation over/(under)		(6 721)	(2 053)
Total equity		180 682	172 593

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		1 595 166	589 087
Interest revenue		293	262
Other revenue		13	14
Total revenue		1 595 472	589 363
Investment expenses	14	101 105	79 856
Administration expenses	15	11 634	10 322
Total expenses		112 739	90 178
Result from superannuation activities		1 482 733	499 185
Insurance expenses		5 628	21 565
Result from operating activities		1 477 105	477 620
Allocation to members accounts		(1 469 013)	(481 062)
Net operating result		8 092	(3 442)

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

Southern State Superannuation Scheme

Statement of Changes in Member Benefits

For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
Opening balance as at 1 July		13 349 428	12 681 908
Employer contributions		1 098 629	1 028 912
Member contributions		140 589	119 170
Transfers from other super entities		322 152	268 777
Government co-contributions		1 389	1 574
		1 562 759	1 418 433
Benefits to members		(1 193 696)	(1 231 975)
Net benefits allocated, comprising:			
Net investment revenue		1 480 634	491 370
Net administration expenses		(11 621)	(10 308)
Closing balance as at 30 June		15 187 504	13 349 428

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	Administration Fee Reserve \$000 Note 10	Death, Invalidity and Income Protection Insurance Reserve \$000 Note 9	Operational Risk Reserve \$000 Note 11	Investment allocation over/(under) \$000	Total Equity \$000
Opening balance	5 962	141 260	27 424	(2 053)	172 593
Net operating result	1 556	8 575	3 019	(5 058)	8 092
Net transfers from reserves	-	-	(393)	390	(3)
Closing balance	7 518	149 835	30 050	(6 721)	180 682

2016	Administration Fee Reserve \$000 Note 10	Death, Invalidity and Income Protection Insurance Reserve \$000 Note 9	Operational Risk Reserve \$000 Note 11	Investment allocation over/(under) \$000	Total Equity \$000
Opening balance	3 985	142 620	26 428	3 003	176 036
Net operating result	1 977	(1 302)	1 018	(5 135)	(3 442)
Net transfers from reserves	-	(58)	(22)	79	(1)
Closing balance	5 962	141 260	27 424	(2 053)	172 593

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

Southern State Superannuation Scheme

Statement of Cash Flows For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
Bank interest		303	276
Other income		945	683
Insurance administration expenses paid		(2 740)	(2 499)
Administration expenses paid		(12 478)	(11 059)
Net cash flows from operating activities	17	(13 970)	(12 599)
Receipts from the sale of investments from Funds SA		233 352	453 628
Payments to Funds SA for the purchase of investments		(621 913)	(600 219)
Net cash flows from investing activities		(388 561)	(146 591)
Employer contributions		1 093 191	1 033 218
Member contributions		140 380	119 628
Government co-contributions		1 510	1 556
Transfers from other superannuation entities		322 119	268 550
Benefit payments to members		(1 163 963)	(1 254 239)
Payments from Operational Risk Reserve		(18)	(14)
Net cash flows from financing activities		393 219	168 699
Net change in cash		(9 313)	9 509
Cash at beginning of the financial period		25 309	15 800
Cash at end of the financial period		15 996	25 309

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

Southern State Superannuation Scheme

1. Objectives and funding

(a) *Southern State Superannuation Scheme*

The Southern State Superannuation Scheme (the Scheme/the Triple S Scheme) is both a contributory and non-contributory superannuation scheme established pursuant to the *Southern State Superannuation Act 2009* (the Act). The Scheme commenced on 1 July 1995 pursuant to the *Southern State Superannuation Act 1994* and is continued under the *Southern State Superannuation Act 2009*. The *Southern State Superannuation Regulations 2009* provide the majority of the Scheme rules that, until 31 July 2009, were set out under the *Southern State Superannuation Act 1994*.

Members can elect to make contributions to the Scheme based on a percentage of their salary commencing from 1 percent, under Regulation 17. A member of the police force, an operations employee of the SA Ambulance Service who commenced employment after 1 July 2008 or a former standard contributory member of the SA Ambulance Service Superannuation Scheme who elected to transfer to the Triple S Scheme must contribute at a rate of at least 4.5 percent of salary. A separate contribution account is maintained for each member. Member and employer contributions and any rollover amounts and co-contribution amounts are deposited by the Treasurer into the Southern State Superannuation Fund that is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

An employer is required to pay contributions to the Treasurer under section 21 of the Act. The employer contributes 9.50 (2016 9.50) percent of salary where the member has elected to contribute less than 4.5 percent of salary. Where the member has elected to contribute 4.5 percent or more of salary, the employer must contribute at a rate of 10 percent.

Benefits, represented by the balances of all member accounts, are available for employees who retire, resign, are retrenched, elect Transition to Retirement or Early Access to Super while still an employee of the SA Public Sector or die and for those who become terminally ill or terminate their employment because of invalidity. The balance of individual member entitlements is provided in annual statements provided to each member.

The Scheme is an exempt public sector superannuation scheme and operates on a not for profit basis.

(b) *South Australian Superannuation Board*

The purpose of this financial report is to discharge the responsibilities of the Board under section 15 of the Act to maintain accounts of receipts and payments.

The Act charges the Board with responsibility for all aspects of the administration of the Act except for the management and investment of the Southern State Superannuation Fund (the Fund). The Act also provides the Board with the necessary powers to administer the Scheme.

The Board is required under section 13 of the Act to adjust a member's contribution account, rollover account and co-contribution account to reflect movements in the value of units allocated to each account.

Pursuant to section 14 of the Act, where a member or members have nominated a class of investments, or a combination of classes of investments, the Board shall adjust a member's contribution account, rollover account and co-contribution account to reflect the movement in the value of units held in the class of investments nominated by the member.

(c) *Superannuation Funds Management Corporation of South Australia*

Funds SA is a South Australian Government Entity established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Funds SA Act). Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

Section 10(3) of the Act provides that the Fund is to be invested and managed by Funds SA.

For further information on investment activities, reference should be made to the annual report of Funds SA. The financial report of Funds SA discloses the investment assets, liabilities, income and expenses relating to the investment activities of Funds SA.

(d) *Funding arrangements*

The Act requires that member contributions, employer contributions, rollovers from other schemes and co-contributions paid by the Commonwealth be paid to the Treasurer, who, in turn, deposits these amounts into the Fund, the Consolidated Account (which is appropriated to the necessary extent) or to a Special Deposit Account with the Department of Treasury and Finance established for that purpose. During the current reporting period contributions were made to a Special Deposit Account. All employer contributions are received from SA Government Entities.

Under section 10 of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a Special Deposit Account established for that purpose. During the current reporting period payments were made from the Special Deposit Account.

Southern State Superannuation Scheme

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* (PFAA), 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.

(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, and, insurance 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;
- 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; and
- Recognition of insurance related liabilities and measurement of these balances using the same approach to measuring defined benefit member liabilities.

In accordance with the transitional provisions of AASB 1056, the Fund 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 AASB 1056 on statement of financial position			
Investments			
Change in measurement from net market value to fair value			
Australian equities	2 840 178	9 712	2 849 890
International equities	2 853 231	12 132	2 865 363
	5 693 409	21 844	5 715 253
Liabilities			
Recognition of insurance liabilities	-	(19 191)	(19 191)
Member benefits			
Member benefits recognised as liabilities rather than equity:			
Member benefit liabilities	-	13 349 428	13 349 428
Equity			
Member benefits recognised as liabilities rather than equity:			
Member benefits	13 349 428	(13 349 428)	-

Southern State Superannuation Scheme

Impact of AASB1056 on operating statement

Benefits accrued as a result of operations previously reported	1 893 399	-	1 893 399
Change in measurement from net market value to fair value:			
Changes in investments measured at fair value	-	21 845	21 845
Recognition of insurance liabilities	-	(19 191)	(19 191)
Contributions, rollovers and other inward transfers are transferred to the statement of changes in member benefits:			
Employer contributions	-	(1 028 912)	(1 028 912)
Member contributions	-	(119 170)	(119 170)
Transfers from other superannuation funds	-	(268 777)	(268 777)
Net government co-contributions	-	(1 574)	(1 574)
Operating activities	1 893 399	(1 415 779)	477 620
Benefits allocated to members accounts	-	(481 062)	(481 062)
Net operating result	1 893 399	(1 896 841)	(3 442)

(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.

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*

i) 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.

ii) 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.

Southern State Superannuation Scheme

iii) 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.

iv) 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'.

v) 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 by the Scheme.

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 best economic 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.

vi) 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.

vii) 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.

viii) 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.

ix) Insurance liabilities

Insurance liabilities have been recognised and measured using the approach to measuring defined benefit member liabilities as required by AASB 1056. The Scheme has adopted the equivalent AASB 1056 approved shortcut method that provides a valuation to meet the accrued insurance liabilities as at that date when they are expected to fall due.

x) 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.

Southern State Superannuation Scheme

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.

xi) 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.

xii) 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.

xiii) 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.

xiv) Investments

Funds SA provides investments measured at fair value. Below is the basis for valuation of these investments.

(1) 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.

(2) 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.

(3) 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.

(4) 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.

(5) Short Term and Long Term Fixed Interest

The Short Term and Long Term Fixed Interest portfolios have exposure to domestic and global debt instruments and is managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

Southern State Superannuation Scheme

(6) 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.

(7) 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.

(8) 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.

(9) 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.

xv) 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 these investment options were available to Southern State Superannuation Scheme members.

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.

xvi) 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 represented 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.

3. Member benefit liabilities

Triple S members are defined contribution members and bear the investment risk relating to the underlying assets and unit prices used to measure the member liabilities. Member account balances are determined by unit prices that are determined based on the underlying investment movements. Unit prices are updated twice weekly. Refer to Note 19 for the Fund's management of the investment risks.

Southern State Superannuation Scheme

	2017 \$000	2016 \$000
Member benefit liabilities at the end of financial year	15 187 504	13 349 428
As compared to net assets available to pay benefits	15 368 186	13 522 021

All defined contribution schemes carry a proportion of amounts yet to be allocated. This unallocated amount arises because the financial report of the Fund is prepared on an accrual basis while monies are allocated to members on a cash basis.

4. 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 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	15 406 188	13 523 566
	15 406 188	13 523 566

5. Movement in the value of investments

	2017 \$000	2016 \$000
Investments at 1 July	13 523 566	12 867 744
Cash	19 884	(49 967)
Inflation Linked Securities A	118 420	(133 737)
Property A	165 694	70 420
Australian Equities A	457 190	130 824
International Equities A	482 428	(61 363)
Long Term Fixed Interest	179 924	176 571
Short Term Fixed Interest	74 709	(8 312)
Diversified Strategies - Growth A	95 207	200 456
Diversified Strategies - Income	297 296	320 241
Socially Responsible	(8 130)	10 689
Change in investments	1 882 622	655 822
Investments at 30 June	15 406 188	13 523 566

Southern State Superannuation Scheme

6. Receivables

	2017 \$000	2016 \$000
ATO GST recoup	268	231
Interest	24	21
Other receivables	224	-
Roll overs receivable	97	63
	<u>613</u>	<u>315</u>

7. Contributions receivables

	2017 \$000	2016 \$000
Member contributions	1 255	937
Employer contributions	22 784	16 864
	<u>24 039</u>	<u>17 801</u>

8. Payables

	2017 \$000	2016 \$000
Audit fees	79	77
Other payables	366	56
Contributions refundable	31	1
	<u>476</u>	<u>134</u>

9. Death, Invalidity and Income Protection Insurance Reserve

The Scheme self-insures and provides an insurance benefit based on units of cover, subject to certain limitations, in the event of death or invalidity before age 65. An Income Protection Insurance benefit, subject to eligibility criteria, is also available in the event of a member becoming temporarily disabled before age 60.

The *Standard Insurance* benefit of two units of cover costs \$1.50 per week and is compulsory for most members of the scheme except casual employees who can elect to opt out of insurance and those who opted out of an additional unit of cover under Item 1 Schedule 3 of the repealed *Southern State Superannuation Regulations 1995*, and those who are special category members in terms of Regulation 28. Police Officers and operations employees of the SA Ambulance Service, who commenced employment after 1 July 2008 or former standard contributory member of the SA Ambulance Service Superannuation Scheme who elected to transfer to the Triple S Scheme, are required to have at least 6 units of Standard Insurance cover. The value of a unit of Standard Insurance for members up to age 34 years is \$75 000. The value of a unit declines from age 35. Additional units can be purchased (subject to medical evidence) to provide permanent employees with cover up to \$1.5 million and casual employees up to \$750 000. Fixed Insurance closed to new applications in November 2014.

As required by Section 17 of the repealed Act, a report was obtained on the costs and liabilities of the insurance arrangements in existence as at 30 June 2013. The actuary concluded that the cost of standard cover exceeds the standard cover premium by \$0.25 per unit per week; an expected premium subsidy of \$3.3 million per annum results. There are sufficient reserves to maintain the current premium subsidy for at least the next three years. In accordance with section 17 of the Act, a report is expected later in 2017 regarding the costs and liabilities of the insurance arrangements in existence as at 30 June 2017.

To be eligible for the Income Protection Insurance benefit, a member must be an active member, working full-time or part-time and receiving an employer contribution. Casual employees not automatically provided with the benefit can apply and be accepted for cover subject to medical evidence. Income Protection payments can continue for 24 months for members employed full or part time. Casual employees can be paid for up to 12 months.

	2017 \$000	2016 \$000
Opening balance of the Death, Invalidity and Income Protection Insurance Reserve	141 260	142 620
Investment earnings on Reserve @ 11.01% ⁽ⁱ⁾	15 295	5 298
Premiums and charges	26 313	25 710
Invalidity payments	(30 403)	(29 994)
Administration fees ⁽ⁱⁱ⁾	(2 630)	(2 316)
Transfer (from) Triple S Operational Risk Reserve	-	(58)
Closing balance of Reserve	<u>149 835</u>	<u>141 260</u>

- (i) The Insurance Reserve is notionally invested in the Balanced option. The rate of return on earnings in 2016 was 3.31%.
(ii) The amount relates to the annual administration fee paid for administering the insurance arrangements.

Southern State Superannuation Scheme

10. Administration Fee Reserve

This Reserve has been set aside for future scheme requirements. The movement in the reserve reflects the difference between administration fees collected from members and the cost of administering the scheme during the year.

	2017 \$000	2016 \$000
Opening balance of the Administration Costs Reserve	5 962	3 985
Investment earnings on Reserve @ 11.01% ⁽ⁱ⁾	775	201
Premiums and Charges	12 293	12 008
Administration fees ⁽ⁱⁱ⁾	(11 512)	(10 232)
Closing balance of Reserve	<u>7 518</u>	<u>5 962</u>

- (i) The Administration Fee Reserve is notionally invested in the Balanced option. The rate of return on earnings in 2016 was 3.31%.
(ii) The amount relates to the annual service level agreement paid for administering the Scheme (refer Note 15).

11. Operational Risk Reserve

The Operational Risk Reserve is to be accumulated to 0.25% of funds under management in line with Prudential Standard SPS114. The reserve is currently 0.19% of funds under management.

	2017 \$000	2016 \$000
Opening balance of the Operational Risk Reserve	27 424	26 428
Investment earnings on Reserve @ 11.01% ⁽ⁱ⁾	3 019	1 018
Payments from reserve	(393)	(22)
Closing balance of Reserve	<u>30 050</u>	<u>27 424</u>

- (i) The Operational Risk Reserve is notionally invested in the Balanced Option. The rate of return on earnings in 2016 was 3.31%.

12. Allocated to members' accounts

The value of funds which have been formally allocated to investor accounts equals the member benefits as per Note 15. The formal allocation of earnings to investors' accounts has been determined for the 2016-17 financial year.

13. Unallocated to members' accounts

All accumulation funds carry a proportion of amounts yet to be allocated. This unallocated amount arises because the financial report of the Fund is prepared on an accrual basis while monies are allocated to members on a cash basis.

14. Investment expenses

	2017 \$000	2016 \$000
Investment expense	101 105	79 856
	<u>101 105</u>	<u>79 856</u>

Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment. In 2016-17 investment expenses increased due mainly to higher performance fees that aligned with investment performance for the year.

15. Administration expenses

	2017 \$000	2016 \$000
Administration expenses ⁽ⁱ⁾	11 512	10 232
Other expenses ⁽ⁱⁱ⁾	122	90
	<u>11 634</u>	<u>10 322</u>

- i) Regulation 16 provides for an administrative charge to be debited each year to members' employer contribution accounts and section 10 of the Act requires the amount to be paid from the Southern State Superannuation Fund. The purpose of this charge is to provide for existing and future costs of administering the Scheme. The amount of the charge is determined by the Board. For the year ended 30 June 2017, the charge was \$1.35 per week per member for all members, active and non-active. The charge for a member with an aggregate balance of \$1 000 or less, is the lesser of the charges applicable to members, or the amount of interest credited to the member's employer contribution account with a minimum of \$10. This charge is included on member annual statements. For the year ended 30 June 2017 the amount charged to members' employer contribution accounts was \$12.3 million (2016: \$12.0 million).

Southern State Superannuation Scheme

Administration expenses incurred by the Board in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Board monthly. Based on actual costs, the charge for the year ended 30 June 2017, was \$11.5 million (2016: \$10.2 million).

- ii) Other expenses include Auditor's remuneration. See note 16.

16. 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.

17. 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	15 996	25 309
Reconciliation of operating result to net cash flows from operating activities		
Net operating result	8 092	(3 442)
Adjustments for:		
Changes in investments measured at fair value	(1 595 166)	(589 087)
Investment expenses	101 105	79 856
Insurance recognition and movement	3 025	19 191
(Increase) / decrease in receivables	(41)	(174)
Increase / (decrease) in payables	2	(5)
Allocation to members' accounts	1 469 013	481 062
Net cash flows from operating activities	<u>(13 970)</u>	<u>(12 599)</u>

18. Net assets available for member benefits

Net assets available to pay benefits consist of the combined balances of the Southern State Superannuation Fund. Movements in the balances of these accounts are detailed below:

	Total 2017 \$000	Total 2016 \$000
Funds held at 1 July	13 522 021	12 857 944
Changes in investments measured at fair value	1 595 166	589 087
Employer contributions	1 098 629	1 028 912
Member contributions	140 589	119 170
Rollovers from other schemes	322 152	268 777
Government co-contributions	1 389	1 574
Bank interest and other revenue	306	276
	<u>3 158 231</u>	<u>2 007 796</u>
Benefits paid	1 193 696	1 231 975
Investment expense	101 105	79 856
Administration expenses	11 634	10 322
Payments from Operational Risk Reserve	3	1
Insurance administration expenses	5 628	21 565
	<u>1 312 066</u>	<u>1 343 719</u>
Net assets available for member benefits at 30 June	<u>15 368 186</u>	<u>13 522 021</u>

19. Financial instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate.

Southern State Superannuation Scheme

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.

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 to fair value.

III. Other market price risk

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the 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.

Southern State Superannuation Scheme

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	7 740
Inflation Linked Securities A	3.3	4.0	46 257
Property A	7.9	11.1	192 805
Australian Equities A	8.7	19.7	606 462
International Equities A	9.5	16.7	518 798
Long Term Fixed Interest	3.3	3.8	35 590
Short Term Fixed Interest	3.0	2.7	11 122
Diversified Strategies Growth A	9.2	16.3	196 298
Diversified Strategies Income	6.6	6.5	142 172

2016

Investment asset class	Average Return	Market Risk	Potential impact of market risk (+/-) on Income Statement
	%	%	+/- \$000
Cash	2.9	1.6	9 767
Inflation Linked Securities A	3.0	4.3	50 056
Property A	7.7	11.0	178 082
Australian Equities A	8.4	19.7	548 542
International Equities A	9.1	16.6	480 743
Long Term Fixed Interest	3.3	3.4	25 783
Short Term Fixed Interest	3.1	3.6	13 634
Diversified Strategies Growth A	9.5	16.3	172 201
Diversified Strategies Income	6.6	6.3	118 345

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.

Southern State Superannuation Scheme

(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	55 390	55 390	55 390
Payables ⁽ⁱ⁾	568	568	568
Vested benefits ⁽ⁱⁱ⁾	15 187 504	15 187 504	15 187 504
Total	15 243 462	15 243 462	15 243 462
30 June 2016	Less than 3 Months \$000	Total Contractual Cash Flows \$000	Carrying Amount Liabilities \$000
Benefits payable	25 596	25 596	25 596
Payables ⁽ⁱ⁾	43	43	43
Vested benefits ⁽ⁱⁱ⁾	13 349 428	13 349 428	13 349 428
Total	13 375 067	13 375 067	13 375 067

- (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.

20. 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. Revenue derived from interest and the realised and unrealised changes in the value of investments.

21. 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.

Southern State Superannuation 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.

22. Events after the reporting period

There were no significant events after the reporting period.

Southern State Superannuation Scheme

Certification of the financial report

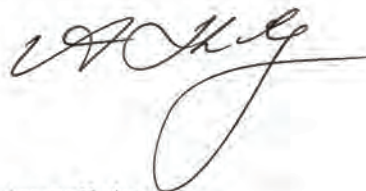
We certify that the attached general purpose financial report for the Southern State Superannuation Scheme:

- complies with any relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*;
- 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

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Presiding Member South Australian Superannuation Board Southern State Superannuation Scheme

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 15(3) of the *Southern State Superannuation Act 2009*, I have audited the financial report of the Southern State 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 Southern State 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 Southern State 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 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.

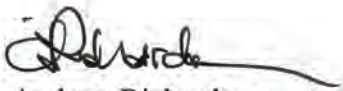
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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 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

Department of State Development

Financial report
for the year ended
30 June 2017

Department of State Development
Statement of Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Employee benefits	6	102 982	117 821
Supplies and services	7	87 473	78 554
Depreciation and amortisation	8	24 397	31 267
Grants and subsidies	9	524 336	528 363
Net loss from disposal of non-current and other assets	16	116 093	8 597
Other expenses	10	8 818	3 816
Total expenses		864 099	768 418
Income			
Fees and charges	12	71 174	63 245
Commonwealth	13	38 511	28 708
Interest and investment	14	215	395
Resources received free of charge	15	214	182
Other income	17	13 959	15 844
Total income		124 073	108 374
Net cost of providing services		(740 026)	(660 044)
Revenues from / payments to SA Government			
Revenues from SA Government	18	587 749	641 280
Payments to SA Government	18	(611 450)	(7 873)
Net result		(763 727)	(26 637)
Other comprehensive income			
<i>Items that will not be reclassified to net result:</i>			
Revaluation of property, plant and equipment	22	(2)	(3 321)
<i>Items that will be reclassified subsequently to net result when specific conditions are met:</i>			
Changes in financial assets available for sale reserve	24	(464)	466
Total comprehensive result		(764 193)	(29 492)

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.

The movement in Net result relates primarily to the sale of TAFE SA sites to the Urban Renewal Authority (refer note 5).

Department of State Development
Statement of Financial Position
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	19	114 782	107 115
Receivables	20	13 841	10 213
Non-current assets classified as held for sale	21	9 470	16 191
Total current assets		138 093	133 519
Non-current assets			
Property, plant and equipment	22	167 438	944 031
Intangibles	23	13 177	16 867
Investments	24	6 486	6 950
Total non-current assets		187 101	967 848
Total assets		325 194	1 101 367
Current liabilities			
Payables	26	38 271	26 836
Employee benefits	27	7 849	10 875
Provisions	28	367	395
Other	29	566	7 428
Total current liabilities		47 053	45 534
Non-current liabilities			
Payables	26	1 473	2 378
Employee benefits	27	15 883	25 898
Provisions	28	682	3 500
Other	29	963	1 313
Total non-current liabilities		19 001	33 089
Total liabilities		66 054	78 623
Net assets		259 140	1 022 744
Equity			
Retained Earnings	30	209 140	1 003 992
Financial asset available for sale revaluation surplus	30	3 882	4 346
Revaluation surplus	30	429	2 668
Contributed capital	30	45 689	11 738
Total equity		259 140	1 022 744
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.

Department of State Development
Statement of Changes in Equity
for the year ended 30 June 2017

		Retained earnings	Financial asset available for sale revaluation surplus	Revaluation surplus	Contributed capital	Total
	Note	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2015		1 031 280	3 880	5 989	10 263	1 051 412
Prior period adjustments		(1 434)	-	-	-	(1 434)
Restated balance at 30 June 2015		1 029 846	3 880	5 989	10 263	1 049 978
Net result for 2015-16		(26 637)	-	-	-	(26 637)
Revaluation of property, plant and equipment	22	-	-	(3 321)	-	(3 321)
Change in financial assets available for sale revaluation surplus	24	-	466	-	-	466
Total comprehensive result 2015-16		(26 637)	466	(3 321)	-	(29 492)
Contributed capital increases		-	-	-	1 475	1 475
Net assets received as a result of an administrative restructure		(204)	-	-	-	(204)
Net assets transferred as a result of an administrative restructure		987	-	-	-	987
Balance at 30 June 2016		1 003 992	4 346	2 668	11 738	1 022 744
Net result for 2016-17		(763 727)	-	-	-	(763 727)
Revaluation of property, plant and equipment	22	-	-	(2)	-	(2)
Change in financial assets available for sale revaluation surplus	24	-	(464)	-	-	(464)
Total comprehensive result 2016-17		(763 727)	(464)	(2)	-	(764 193)
Contributed capital increases		-	-	-	33 951	33 951
Transfers between equity components		2 237	-	(2 237)	-	-
Net assets transferred as a result of an administrative restructure	33	(33 362)	-	-	-	(33 362)
Balance at 30 June 2017		209 140	3 882	429	45 689	259 140

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

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

Department of State Development
Statement of Cash Flows
for the year ended 30 June 2017

		2017	2016
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
Cash flows from operating activities	Note		
Cash outflows			
Employee benefit payments		(106 989)	(113 633)
Payments for supplies and services		(113 583)	(115 839)
Payments for security deposits		(1 201)	(4 373)
Payments for grants and subsidies		(528 142)	(590 240)
Net GST paid to ATO		(35 299)	-
Payments for paid parental leave scheme		(214)	(235)
Cash used in operations		(785 428)	(824 320)
Cash inflows			
Fees and charges		71 128	77 965
Receipts from Commonwealth		38 481	28 460
Interest and dividends received		209	393
Net GST recovered from ATO		-	22 195
Receipts for security deposits		1 466	5 358
Net receipts from paid parental leave scheme		199	260
Other receipts		16 400	15 429
Cash generated from operations		127 883	150 060
Cash flows from SA Government			
Receipts from SA Government		587 749	641 280
Payments to SA Government		(611 450)	(7 873)
Cash generated from SA Government		(23 701)	633 407
Net cash used in operating activities	36	(681 246)	(40 853)
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(14 406)	(35 344)
Cash used in investing activities		(14 406)	(35 344)
Cash inflows			
Proceeds from sale of property, plant and equipment and other assets		676 001	9 612
Cash generated from investing activities		676 001	9 612
Net cash used in investing activities		661 595	(25 732)
Cash flows from financing activities			
Cash outflows			
Payments from restructure activities		(6 633)	-
Cash used in financing activities		(6 633)	-
Cash inflows			
Capital contributions from SA Government		33 951	1 475
Cash generated from financing activities		33 951	1 475
Net cash provided by financing activities		27 318	1 475
Net increase / (decrease) in cash		7 667	(65 110)
Cash as at the beginning of the period		107 115	172 225
Cash as at the end of the period	19	114 782	107 115

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

Department of State Development
Disaggregated Disclosures – Expenses and Income
for the year ended 30 June 2017

	Activity 1: Office of the Economic Development Board		Activity 2: Industry and Innovation		Activity 3: Aboriginal Affairs and Reconciliation	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses						
Employee benefits	1 167	1 575	6 672	7 880	5 776	5 515
Supplies and services	484	982	5 011	5 492	2 221	1 792
Depreciation and amortisation	100	133	140	272	238	360
Grants and subsidies	16	78	17 716	14 863	4 358	4 777
Net loss from disposal of non-current and other assets	-	-	-	-	-	-
Other expenses	8	12	148	126	58	54
Total expenses	1 775	2 780	29 687	28 633	12 651	12 498
Income						
Fees and charges	2	-	143	15	3	7
Commonwealth	-	-	-	150	-	-
Interest and investment	1	-	2	5	16	22
Resources received free of charge	-	-	-	182	-	-
Other income	508	25	1 076	1 081	703	777
Total income	511	25	1 221	1 433	722	806
Net cost of providing services	(1 264)	(2 755)	(28 466)	(27 200)	(11 929)	(11 692)
Revenues from / payments to SA Government						
Revenues from SA Government	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-
Net result	(1 264)	(2 755)	(28 466)	(27 200)	(11 929)	(11 692)

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

For activity detail refer to note 4.

Department of State Development
Disaggregated Disclosures – Expenses and Income
for the year ended 30 June 2017

	Activity 4: Science, Technology and Information Economy		Activity 5: Arts South Australia		Activity 6: Health Industries	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses						
Employee benefits	2 640	2 730	10 184	11 451	1 471	1 288
Supplies and services	2 762	1 305	8 737	8 996	798	531
Depreciation and amortisation	124	205	6 453	6 903	100	131
Grants and subsidies	19 288	14 345	132 120	128 878	1 007	13
Net loss from disposal of non-current and other assets	-	-	1 038	-	-	-
Other expenses	116	84	3 709	1 000	16	8
Total expenses	24 930	18 669	162 241	157 228	3 392	1 971
Income						
Fees and charges	5	3	8 811	7 286	-	-
Commonwealth	-	-	-	2	-	-
Interest and investment	2	1	19	39	-	-
Resources received free of charge	-	-	-	-	-	-
Other income	1 232	312	3 037	3 938	-	-
Total income	1 239	316	11 867	11 265	-	-
Net cost of providing services	(23 691)	(18 353)	(150 374)	(145 963)	(3 392)	(1 971)
Revenues from / payments to SA Government						
Revenues from SA Government	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-
Net result	(23 691)	(18 353)	(150 374)	(145 963)	(3 392)	(1 971)

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

For activity detail refer to note 4.

Department of State Development
Disaggregated Disclosures – Expenses and Income
for the year ended 30 June 2017

	Activity 7: Mineral Resources and Energy		Activity 8: Water Industry Technical and Safety Regulation		Activity 9: Growing Small Business	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses						
Employee benefits	27 213	36 243	1 236	1 720	2 977	1 935
Supplies and services	20 127	31 078	434	580	1 247	805
Depreciation and amortisation	1 791	2 494	100	132	126	171
Grants and subsidies	5 951	28 629	1	1	5 729	226
Net loss from disposal of non-current and other assets	25	(16)	-	-	-	-
Other expenses	1 242	590	8	11	46	13
Total expenses	56 349	99 018	1 779	2 444	10 125	3 150
Income						
Fees and charges	26 061	33 149	1 946	23	1	-
Commonwealth	28	503	-	-	-	-
Interest and investment	47	130	3	9	-	-
Resources received free of charge	-	-	-	-	-	-
Other income	2 894	3 684	37	2 547	168	32
Total income	29 030	37 466	1 986	2 579	169	32
Net cost of providing services	(27 319)	(61 552)	207	135	(9 956)	(3 118)
Revenues from / payments to SA Government						
Revenues from SA Government	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-
Net result	(27 319)	(61 552)	207	135	(9 956)	(3 118)

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

For activity detail refer to note 4.

Department of State Development
Disaggregated Disclosures – Expenses and Income
for the year ended 30 June 2017

	Activity 10: International Engagement, Trade, Migration and International Education		Activity 11: Employment and Skills Formation		General / Not Attributable	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses						
Employee benefits	8 696	9 986	34 950	37 498	-	-
Supplies and services	7 055	6 586	38 597	20 407	-	-
Depreciation and amortisation	100	170	15 125	20 296	-	-
Grants and subsidies	4 144	2 778	311 538	330 844	22 468	2 931
Net loss from disposal of non-current and other assets	-	-	115 030	8 613	-	-
Other expenses	101	83	3 366	1 835	-	-
Total expenses	20 096	19 603	518 606	419 493	22 468	2 931
Income						
Fees and charges	1 166	768	33 036	21 994	-	-
Commonwealth	292	347	38 191	27 706	-	-
Interest and investment	3	7	122	182	-	-
Resources received free of charge	-	-	214	-	-	-
Other income	649	985	3 655	2 463	-	-
Total income	2 110	2 107	75 218	52 345	-	-
Net cost of providing services	(17 986)	(17 496)	(443 388)	(367 148)	(22 468)	(2 931)
Revenues from / payments to SA Government						
Revenues from SA Government	-	-	-	-	587 749	641 280
Payments to SA Government	-	-	-	-	(611 450)	(7 873)
Net result	(17 986)	(17 496)	(443 388)	(367 148)	(46 169)	630 476

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

For activity detail refer to note 4.

Department of State Development
Disaggregated Disclosures – Expenses and Income
for the year ended 30 June 2017

	Activity Total	
	2017	2016
	\$'000	\$'000
Expenses		
Employee benefits	102 982	117 821
Supplies and services	87 473	78 554
Depreciation and amortisation	24 397	31 267
Grants and subsidies	524 336	528 363
Net loss from disposal of non-current and other assets	116 093	8 597
Other expenses	8 818	3 816
Total expenses	864 099	768 418
Income		
Fees and charges	71 174	63 245
Commonwealth	38 511	28 708
Interest and investment	215	395
Resources received free of charge	214	182
Other income	13 959	15 844
Total income	124 073	108 374
Net cost of providing services	(740 026)	(660 044)
Revenues from / payments to SA Government		
Revenues from SA Government	587 749	641 280
Payments to SA Government	(611 450)	(7 873)
Net result	(763 727)	(26 637)

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

For activity detail refer to note 4.

Department of State Development
Disaggregated Disclosures – Assets and Liabilities
for the year ended 30 June 2017

	Activity 1 Office of the Economic Development Board		Activity 2 Industry and Innovation		Activity 3 Aboriginal Affairs and Reconciliation	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Assets						
Cash and cash equivalents	-	-	-	-	-	-
Receivables	-	-	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Total assets	-	-	-	-	-	-
Liabilities						
Payables	-	125	1 818	1 300	768	560
Employee benefits	-	160	1 265	1 659	531	710
Provisions	-	17	58	182	24	78
Other	-	8	84	88	35	38
Total liabilities	-	310	3 225	3 229	1 358	1 386
Net Assets	-	(310)	(3 225)	(3 229)	(1 358)	(1 386)

	Activity 4 Science, Technology and Information Economy		Activity 5 Arts South Australia		Activity 6 Health Industries	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Assets						
Cash and cash equivalents	-	-	28 341	19 535	-	-
Receivables	-	-	3 372	1 060	-	-
Non-current assets classified as held for sale	-	-	8 714	492	-	-
Property, plant and equipment	-	-	149 218	155 089	-	-
Intangibles	-	-	278	366	-	-
Investments	-	-	-	-	-	-
Total assets	-	-	189 923	176 542	-	-
Liabilities						
Payables	1 526	843	8 812	2 068	209	87
Employee benefits	1 062	1 076	2 303	2 169	146	111
Provisions	49	118	67	107	7	12
Other	70	57	16	6	10	6
Total liabilities	2 707	2 094	11 198	4 350	372	216
Net Assets	(2 707)	(2 094)	178 725	172 192	(372)	(216)

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

For activity detail refer to note 4.

Department of State Development
Disaggregated Disclosures – Assets and Liabilities
for the year ended 30 June 2017

	Activity 7 Mineral Resources and Energy		Activity 8 Water Industry Technical and Safety Regulation		Activity 9 Growing Small Business	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Assets						
Cash and cash equivalents	-	-	-	-	-	-
Receivables	-	-	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Total assets	-	-	-	-	-	-
Liabilities						
Payables	-	4 737	-	109	599	130
Employee benefits	-	6 046	-	139	417	166
Provisions	-	662	-	15	19	18
Other	-	7 220	-	7	28	9
Total liabilities	-	18 665	-	270	1 063	323
Net Assets	-	(18 665)	-	(270)	(1 063)	(323)

	Activity 10 International Engagement, Trade, Migration and International Education		Activity 11 Employment and Skills Formation		General / Not Attributable	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Assets						
Cash and cash equivalents	-	-	-	-	86 441	87 580
Receivables	-	-	10 469	9 153	-	-
Non-current assets classified as held for sale	-	-	756	15 699	-	-
Property, plant and equipment	-	-	18 220	788 942	-	-
Intangibles	-	-	12 899	16 501	-	-
Investments	-	-	6 486	6 950	-	-
Total assets	-	-	48 830	837 245	86 441	87 580
Liabilities						
Payables	1 325	850	24 687	18 405	-	-
Employee benefits	833	1 084	17 175	23 453	-	-
Provisions	38	119	787	2 567	-	-
Other	152	57	1 134	1 245	-	-
Total liabilities	2 348	2 110	43 783	45 670	-	-
Net Assets	(2 348)	(2 110)	5 047	791 575	86 441	87 580

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

For activity detail refer to note 4.

Department of State Development
Disaggregated Disclosures – Assets and Liabilities
for the year ended 30 June 2017

	Activity Total	
	2017	2016
	\$'000	\$'000
Assets		
Cash and cash equivalents	114 782	107 115
Receivables	13 841	10 213
Non-current assets classified as held for sale	9 470	16 191
Property, plant and equipment	167 438	944 031
Intangibles	13 177	16 867
Investments	6 486	6 950
Total assets	325 194	1 101 367
Liabilities		
Payables	39 744	29 214
Employee benefits	23 732	36 773
Provisions	1 049	3 895
Other	1 529	8 741
Total liabilities	66 054	78 623
Net Assets	259 140	1 022 744

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

For activity detail refer to note 4.

Department of State Development

Notes to and forming part of the financial statements

1 Objectives of the Department of State Development

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

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

- a globally recognised leader in health research and ageing
- the Knowledge State – attracting a diverse student body and commercialising our research
- growth through innovation
- promoting our international connections and engagement
- ensuring our small businesses have access to capital and global markets.

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

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

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

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

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

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

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

The department was responsible for unlocking the full potential of the state's resources, energy and renewable assets up to the end of March 2017. The department transferred the Mineral Resources Division, the Energy Resources Division, the Energy Markets and Programs Division, the Resources Infrastructure and Investment Task Force (with the exception of the Case Management Function), the Strategy and Governance Unit and the Office of the Economic Development Board to the Department of the Premier and Cabinet (DPC) effective from 1 April 2017 (refer note 33).

Department of State Development

Notes to and forming part of the 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*.

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

b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the department's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
 - a) revenues, expenses, financial assets and liabilities where the counterparty / transaction is with an entity within the SA Government as at reporting date, classified according to their nature. The threshold of \$100 000 for separate identification of these items has not been applied
 - b) expenses incurred as a result of engaging consultants
 - c) employee targeted voluntary separation package information
 - d) employees whose normal remuneration is equal or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
 - e) board / committee member and remuneration information, where a board / committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

c) Reporting entity

The department is a government department of the State of South Australia, established pursuant to the *Public Sector Act 2009*.

The department is an administrative unit acting on behalf of the Crown.

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

d) Principles of consolidation

Scope Global Pty Ltd, which has a reporting date of 30 June 2017 is controlled by the Minister for Investment and Trade. Its principal activity is to secure international contracts for work in vocational education and training.

Department of State Development

Notes to and forming part of the financial statements

Although the Minister has control over Scope Global Pty Ltd it is not considered part of the department's operations. The department cannot influence the decisions of Scope Global Pty Ltd, nor can the department dominate the financial and operational policies of Scope Global Pty Ltd. Consequently, Scope Global Pty Ltd was not consolidated in the accounts nor disclosed as an Associate. The value of Scope Global Pty Ltd is shown in the Statement of Financial Position under Investments (refer note 24).

The Minister for Science and Information Economy has a 25% interest in SABRENet. SABRENet was registered on 28 September 2005 as a non-profit company limited by guarantee and has been recognised by the Australian Taxation Office (ATO) as a tax exempt entity. The founding members are the three South Australian Universities and the South Australian Government. The objectives for which the company was established are to be a non-profit institution to further the use of advanced data networking for the conduct of research and education in South Australia for the benefit of South Australia and for the purposes of economic and social advancement in Australia generally. While the Minister has significant influence over SABRENet, the Minister's interest in SABRENet is limited to the Minister's use of SABRENet's asset (the network). That is, the Minister receives no return for their interest in SABRENet.

e) Transferred functions

The Public Sector (*Reorganisation of Public Sector Operations*) Notice 2017 (dated 28 March 2017) declared that all employees employed in the business units known as the Mineral Resources Division, the Energy Resources Division, the Energy Markets and Programs Division, the Resources Infrastructure and Investment Task Force (with the exception of the Case Management Function), the Strategy and Governance Unit and the Office of the Economic Development Board would transfer to the Department of the Premier and Cabinet (DPC) effective from 1 April 2017 (refer note 33).

f) 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.

g) Rounding

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

h) Taxation

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

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

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

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

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

Department of State Development

Notes to and forming part of the financial statements

i) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June 2017 and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June 2017.

Note disclosure is made about events between 30 June 2017 and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June 2017 and which may have a material impact on the results of subsequent years (refer to note 38).

j) 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 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

k) Non-current assets

Acquisition and recognition

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

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

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

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

Depreciation and amortisation

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

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

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

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

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

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

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

Department of State Development

Notes to and forming part of the financial statements

Class of asset	Useful life (years)
Buildings	25 – 80
Leasehold Improvements	Life of lease
Plant and Equipment	2 – 60
Intangibles/Software	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.

Every five years, the department revalues its land, buildings, leasehold improvements and works of art via an independent Certified Practicing Valuer.

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

Non-current tangible assets that are acquired between revaluations are held at cost less depreciation until the next valuation, where they are revalued to fair value.

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

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

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

Impairment

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

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

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

Intangible assets

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

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

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

Department of State Development

Notes to and forming part of the financial statements

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

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

Fair value measurement

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

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

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

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

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

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

Refer note 25 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements.

1) Liabilities

Leases

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

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

Operating Leases

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

Lease incentives

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

The aggregate benefits of lease incentives received by the department in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

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.

Department of State Development

Notes to and forming part of the financial statements

Financial guarantees

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

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

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

The department has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2017 (there was no material liability recognised for financial guarantee contracts in 2016).

Whilst no liability has been recognised for financial guarantee contracts, further note disclosures relating to financial guarantees are contained at note 32.

Employee Benefits

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

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

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

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

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

Long service leave

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

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA government entities.

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

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience.

m) Unrecognised contractual commitments and contingent assets and liabilities

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

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

Department of State Development

Notes to and forming part of the financial statements

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

3 New and revised accounting standards and policies

The 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.

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.

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

The department has not yet quantified the impact of applying AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* and the resulting impact on the Statement of Comprehensive Income.

Department of State Development

Notes to and forming part of the financial statements

The revision to AASB 9 *Financial Instruments* applies to reporting periods beginning on or after 1 January 2018. AASB 9 *Financial Instruments* provides the principles for the classification, measurement, recognition, de-recognition and disclosure associated with financial assets and liabilities. The key changes include simplified requirements for classification and measurement of financial assets and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.

The impact of adopting this standard is not known and cannot be reliably estimated because it will be dependent on the financial instruments held and economic conditions at the time of adopting as well as accounting elections and judgements which will need to be made.

4 Activities of the department

The department has identified 11 broad activities that reflect the nature of the services delivered to the South Australian community. Activities 1, 7 and 8 were transferred to the Department of the Premier and Cabinet effective from 1 April 2017. The activities and their objectives of the department are:

Activity 1 Office of the Economic Development Board

The purpose of this activity is to support the Economic Development Board by providing a secretariat function as well as oversight and management of its assigned budget, including procurement and contracting management functions. This activity was transferred to the Department of the Premier and Cabinet effective from 1 April 2017.

Activity 2 Industry and Innovation

The purpose of this activity is to deliver initiatives to support business and industry transition, growth and investment. This is done by working with priority industry sectors, providing business with innovation opportunities and building their capacity to develop and adopt new practices and technologies to increase competitiveness, supporting business to access risk capital and supporting structural adjustment and economic development of regions.

Activity 3 Aboriginal Affairs and Reconciliation

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

Activity 4 Science, Technology and Information Economy

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

Activity 5 Arts South Australia

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

Activity 6 Health Industries

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

Department of State Development

Notes to and forming part of the financial statements

- Activity 7 Mineral Resources and Energy**
The purpose of this activity is to unlock the full potential of South Australia's resources, energy and renewable assets and maintain the state's reputation as a leading resource investment destination. This activity was transferred to the Department of the Premier and Cabinet effective from 1 April 2017.
- Activity 8 Water Industry Technical and Safety Regulation**
The purpose of this activity is to support the enforcement, compliance and promotion of technical and safety regulation of plumbing and equipment, and water industry entities. This activity was transferred to the Department of the Premier and Cabinet effective from 1 April 2017.
- Activity 9 Growing Small Business**
The purpose of this activity is to support small businesses to establish, grow and be sustainable through the operations of the Small Business Unit, and the Office of the Industry Advocate.
- Activity 10 International Engagement, Trade, Migration and International Education**
The purpose of this activity is to develop and implement strategies and programs that facilitate international exports, the growth of the international education sector and maximise the benefits of skilled and business migration.
- Activity 11 Employment and Skills Formation**
The purpose of this activity is to strengthen the economic prosperity and social wellbeing of South Australians through; strategic employment, skills formation, workforce development and implementing the WorkReady and Jobs and Skills policies.

The disaggregated disclosure schedules present expenses, income, assets and liabilities information attributable to each of these activities for the years ended 30 June 2017 and 30 June 2016.

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

5 VET Infrastructure Sale to Urban Renewal Authority

The 2016-17 State Budget announced the government's intention to transfer ownership of TAFE SA sites from DSD to the Urban Renewal Authority (URA). The transfer of land and buildings which DSD was holding with a fair value, being the written down replacement cost, of \$708 million occurred on March 1 2017.

DSD received \$595 million in proceeds from the URA, based on an independent valuation using future rental income estimates to determine fair value. The difference between the valuation undertaken by the URA and DSD's carrying value reflects that DSD value the sites on the basis of depreciated replacement cost while the URA, as a for-profit entity, values the properties based on their income generation potential.

DSD recognised a loss on sale of \$113 million, representing the difference between DSD's carrying amount and the amount paid by the URA. The proceeds were then transferred to the Consolidated Account and are reflected as payments to SA Government in DSD's Statement of Comprehensive Income.

DSD has entered into a lease back arrangement for the sites with the URA. Rental fees approximating \$52 million per annum will be incurred by DSD from 1 March 2017. The commencement of this lease arrangement has resulted in an increase of \$11 million in accommodation and service costs for 2016-17.

DSD will continue to lease these assets to TAFE SA, recovering the full lease costs payable to the URA from TAFE SA.

DSD has increased funding to TAFE SA by \$15 million in 2016-17 in part to offset the impact of higher rental charges which TAFE SA will now pay to DSD. The impact of these arrangements has resulted in an increase in fees and charges revenue of \$11 million in 2016-17.

		Urban Renewal Authority
	Note	\$'000
Fair value of assets sold	22	757 089
Accumulated depreciation of assets sold	22	(49 389)
Net value of assets sold	22	707 700
Proceeds on sale	16	(594 590)
Net loss on sale taken to statement of Comprehensive Income	16	113 110
Payment to consolidated account for the sale of VET property	18	594 590
Net impact of sale to the Urban Renewal Authority on Net result and Equity	30	707 700

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

6 Employee benefits expense

	Note	2017 \$'000	2016 \$'000
Salaries and wages		77 499	84 253
TVSPs (refer below)		1 778	256
Long service leave		469	4 565
Annual leave		7 421	8 138
Skills and experience retention leave		498	296
Employment on-costs - superannuation		8 801	10 311
Employment on-costs - other		4 837	5 611
Workers compensation		528	3 098
Board fees	34	1 151	1 293
Total employee benefits expense		102 982	117 821

The reduction in salaries and wages and long service leave predominantly relates to the transfer of the Resources and Energy Group to the Department of the Premier and Cabinet effective from 1 April 2017.

An employee was injured in the workplace in 2012 which resulted in a greater than 30% body impairment which requires the department to provide income maintenance for the normal working life of the employee. The reduction in the provision for workers compensation predominantly relates to the transfer of this employee to the Department of the Premier and Cabinet effective from 1 April 2017.

	2017 \$'000	2016 \$'000
Targeted voluntary separation packages (TVSPs) and early terminations		
Amount paid during the reporting period to these employees:		
TVSPs	1 778	256
Annual leave, LSL and SERL paid to those employees	846	61
Employment on-costs (payroll tax and Shared Services SA processing fees)	53	4
	2 677	321

The number of employees who received a TVSP or early termination payment during 2016-17 was 25 (4).

Department of State Development

Notes to and forming part of the financial statements

Remuneration of employees

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

	2017 Number of Employees	2016 Number of Employees
\$145 001 to \$147 000*	n/a	6
\$147 001 to \$157 000	5	8
\$157 001 to \$167 000	8	12
\$167 001 to \$177 000	8	6
\$177 001 to \$187 000	4	7
\$187 001 to \$197 000	6	9
\$197 001 to \$207 000Δ^	6	9
\$207 001 to \$217 000	2	8
\$217 001 to \$227 000	5	2
\$227 001 to \$237 000	2	3
\$237 001 to \$247 000	1	-
\$247 001 to \$257 000^	5	1
\$257 001 to \$267 000	1	2
\$267 001 to \$277 000	-	1
\$277 001 to \$287 000^	2	2
\$287 001 to \$297 000	2	-
\$297 001 to \$307 000	1	1
\$307 001 to \$317 000	-	2
\$317 001 to \$327 000Δ	-	1
\$327 001 to \$337 000	1	1
\$337 001 to \$347 000	-	1
\$347 001 to \$357 000	2	-
\$377 001 to \$387 000	1	1
\$407,001 to \$417,000	-	1
\$437 001 to \$447 000	1	-
\$457 001 to \$467 000Δ	-	1
\$507 001 to \$517 000∞	-	1
\$677 001 to \$687 000Δ	-	1
Total number of employees	63	87

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

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

^ This bandwidth includes employees that have received TVSP and (or) termination payments in 2016-17.

∞ This bandwidth includes an employee that received a retrospective adjustment in 2015-16 due to an underpayment of superannuation in prior years.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, TVSPs/early terminations, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$13.7 million (\$19.9 million).

This table includes sixteen employees that transitioned to the Department of the Premier and Cabinet effective from 1 April 2017.

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

7 Supplies and services

	2017 \$'000	2016 \$'000
Accommodation and service costs	35 830	18 917
Accounting and audit fees*	359	381
Communications and information technology	7 116	7 172
Contractors	13 730	16 108
Consultancies (refer below)	2 343	4 601
Energy supply fuel and lubricants	4 315	5 651
Lease incentive amortisation	(313)	(276)
Marketing	3 319	3 393
Office administration expenses	8 240	9 316
Overseas trade representation ⁽¹⁾	1 239	648
Remote areas energy supplies plant and equipment	428	1 117
Shared service fees ⁽²⁾	4 354	4 061
Staff related expenses	2 042	2 151
Travel and related expenses	4 471	5 314
Total supplies and services	87 473	78 554

*Audit fees paid / payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$0.3 million (\$0.4 million). No other services were provided by the Auditor-General's Department.

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

- 1) Represents payments made to Austrade relating to activities promoting South Australia.
- 2) Represents payments to the Department of Planning, Transport and Infrastructure, the Department of Primary Industries and Regions SA and the Department of the Premier and Cabinet for the provision of corporate support and project management services.

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

	2017 Number	2017 \$'000	2016 Number	2016 \$'000
Below \$10 000	29	130	37	159
Equal or above \$10 000	37	2 213	76	4 442
Total paid / payable to the consultants engaged	66	2 343	113	4 601

8 Depreciation and amortisation expenses

	2017 \$'000	2016 \$'000
Depreciation		
Plant and equipment	1 453	2 175
Buildings and Leasehold improvements	20 507	27 126
Total depreciation	21 960	29 301
Amortisation		
Intangible / software	2 437	1 966
Total amortisation	2 437	1 966
Total depreciation and amortisation expense	24 397	31 267

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

9 Grants and subsidies

	2017	2016
	\$'000	\$'000
Class of assistance:		
Arts and Cultural	132 030	128 844
TAFE SA	230 573	234 287
Skills and Employment - VET Subsidies	34 129	52 852
Skills and Employment - Other	46 745	43 616
Resources and Energy	5 898	28 513
Industry, Innovation, Science and Small Business	42 371	29 376
Investment Attraction SA	22 468	2 931
International Engagement	4 132	2 777
Aboriginal Affairs and Reconciliation	4 348	4 775
Other	1 642	392
Total grants and subsidies	524 336	528 363

In 2017, DSD provided TAFE SA with funding of \$230.6 million relating primarily to VET subsidies and structural support (\$221.3 million), capital grant funding (\$4.6 million) and TVSP support (\$3.8 million).

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

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

	2 017	2 016
	\$'000	\$'000
Adelaide Festival Centre Trust	18 434	17 454
Adelaide Festival Corporation	8 620	8 367
Adelaide Film Festival	1 102	1 103
Adelaide Fringe	1 761	1 619
Adelaide Symphony Orchestra	2 566	2 553
Art Gallery Board	11 642	12 219
Arts industry assistance	7 732	5 887
Arts Project assistance	4 309	3 454
Australian Dance Theatre	1 580	1 205
Carrick Hill Trust	998	971
Country Arts SA	5 047	9 275
Department of Health	65	55
Flinders University	-	6
Hans Heyesen Foundation	1 000	-
History Trust of South Australia	6 812	5 608
Jam Factory of Contemporary Craft and Design	1 672	1 106
Libraries Board of South Australia	34 479	33 184
Museum Board	11 620	11 471
Other grants and subsidies	1 016	1 322
South Australian Film Corporation	5 300	5 758
State Opera of South Australia	1 571	1 579
State Theatre Company of South Australia	2 544	2 528
Tandanya	1 099	1 080
The Australian Children's Performing Arts Company	1 061	1 040
Total Arts and Cultural grants	132 030	128 844

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

10 Other expenses

	2017	2016
	\$'000	\$'000
Bad and doubtful debts	127	403
Impairment loss	2 910	-
Asset derecognition	1 622	3 055
Revaluation decrement	3 378	76
Other expenses	781	282
Total other expenses	8 818	3 816

The impairment loss recognised in 2017 predominantly relates to the demolition of the Adelaide Festival Centre Carpark relating to the Adelaide Festival Centre Precinct project.

Asset derecognition expenses in 2016 are due to the derecognition of assets on Aboriginal lands to reflect that these assets are controlled by Aboriginal landholding authorities and not by the department.

The revaluation decrement is associated with the transfer of land and buildings to non-current assets classified as held for sale.

11 Overseas representative offices

	2017	2016
	\$'000	\$'000
Operating expenses	524	569
Operating revenues	56	11
Funds advanced to overseas offices towards operating expenses	430	460

The financial year ended 30 June 2017 includes full year costs for operating the Jinan office and additional support provided for the South Australian Government's trade effort, including to build the South Australia-Shandong sister state relationship, as well as investing expenses associated with the relocation and fitout of the new Jinan office.

The financial year ended 30 June 2016 includes full year costs for the Jinan office and additional support provided for the South Australian Government's trade effort, including to build the South Australia-Shandong sister state relationship.

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

12 Revenues from fees and charges

	2017	2016
	\$'000	\$'000
Infrastructure recharge to TAFE SA	31 896	20 727
Mining and petroleum application fees, rentals and licences	16 308	21 735
Rental income	6 039	5 860
Immigration application fees	1 007	724
Arts industry related fees	2 671	1 277
Industry licence fees	7 283	6 816
Sales of electricity	4 280	4 329
Fees for services	450	18
Contract administration	202	686
Other	1 038	1 073
Total revenues from fees and charges	71 174	63 245

The net increase in Revenue from fees and charges in 2017 is predominantly due higher infrastructure recharges to TAFE SA of \$11.2 million which is partly offset by a reduction in Mining and Petroleum Application fees, rentals and licences of \$5.4 million. The infrastructure recharge increase reflects a move to commercial rates, following sale and leaseback of key TAFE SA campus assets to the Urban Renewal Authority in March 2017. Previously the recharge was based on depreciation and campus maintenance costs paid by the department.

The reduction in Mining and petroleum application fees, rentals and licences is predominantly due to the transfer of the Resources and Energy Group to the Department of the Premier and Cabinet effective from 1 April 2017.

13 Commonwealth revenues

	2017	2016
	\$'000	\$'000
Grants		
National Partnership Agreement on Skills Reform	37 505	27 419
TAFE Fee Waivers for Childcare Qualifications	623	-
Tradestart	292	347
Science, Technology, Engineering and Mathematics (STEM)	63	-
Municipal and Essential Services - Murputja and Watarru Power Station Fuel Contribution	28	110
Auslamp: Magnetotelluric Survey of the Western/Centre Gawler Craton	-	290
Validation of a National Skills Professional Standards Framework	-	220
Supplier Access to Major Projects Program - Domain Specialist - Water	-	149
National Energy Efficiency Buildings	-	67
Remote Indigenous Public Internet Access	-	57
Greenhouse and Energy Minimum Standards (GEMS) Inspections	-	21
Anangu Pitjantjatjara Yankunytjatjara (APY) Lands Regional Procurement Strategy	-	20
Street Lighting Energy Efficiency Program	-	8
Total Commonwealth revenues	38 511	28 708

All Commonwealth funding received for the above listed programs was spent during the 2016-17 financial year with the exception of the TAFE Fee Waivers for Childcare Qualifications which related to activities that occurred in 2015.

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

14 Interest and investment revenues

	2017 \$'000	2016 \$'000
Interest revenues	15	20
Dividends received	200	375
Total interest and investment revenues	215	395

15 Resources received free of charge

	2017 \$'000	2016 \$'000
Donated assets	214	182
Total resources received free of charge	214	182

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

	2017 \$'000	2016 \$'000
Land and buildings		
Proceeds from disposal	614 818	9 595
Less: net book value of assets disposed	(730 046)	(18 201)
Total land and buildings	(115 228)	(8 606)
Plant and equipment and other assets:		
Proceeds from disposal	24	17
Less: net book value of assets disposed	(889)	(8)
Total plant and equipment and other assets	(865)	9
Total net loss from disposal of non-current and other assets	(116 093)	(8 597)

The net loss on disposal in 2017 predominantly relates to the sale of TAFE SA campus assets to the Urban Renewal Authority of \$594.6 million, refer to note 5 for further details.

17 Other income

	2017 \$'000	2016 \$'000
Fuel tax credits	1 465	2 308
Support for the regulation of Extractive Mining Operations	327	391
Sponsorship revenues	1 214	2 418
Recoveries	8 106	7 845
Community Development Fund	1 250	1 250
Other income	1 597	1 632
Total other income	13 959	15 844

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

18 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>	542 749	634 186
Appropriations from the Governor's Appropriation Fund pursuant to the <i>Public Finance and Audit Act</i>	37 493	-
Appropriations under other Acts	7 507	5 018
Accrual Appropriation	-	2 076
Total revenues from SA Government	587 749	641 280
Payments to SA Government:		
Payments to consolidated account	611 450	7 873
Total payments to SA Government	611 450	7 873

Total revenue from Government consists of \$557.5 million (\$602.9 million) for operational funding and \$22.7 million (\$31.3 million) for capital projects. In addition, appropriation of \$7.5 million (\$5 million) was received pursuant to Treasurer's contingency. Contingency appropriation in 2016-17 included \$3.8 million for TAFE SA TVSP reimbursement and \$3.8 million for the 2017 TAFE Act Enterprise Bargaining agreement.

Payments made to SA Government in 2016-17 related primarily to proceeds from the sale of TAFE SA campus assets to the Urban Renewal Authority of \$594.6 million, refer to note 5 for further details.

19 Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Deposits with the Treasurer – Operating Account	108 108	99 417
Deposits with the Treasurer – Accrual Appropriation	6 590	7 611
Deposits at call - overseas offices	79	84
Other	5	3
Total cash and cash equivalents	114 782	107 115

Deposits with Treasurer – Operating Account

The balance increased from 2015-16 primarily due to delays in works associated with the Adelaide Festival Centre Precinct.

Deposits with Treasurer – Accrual Appropriation

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

Interest rate risk

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

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

20 Receivables

	2017	2016
	\$'000	\$'000
Current		
Receivables	5 618	5 952
Allowance for doubtful debts	(1 493)	(2 258)
GST input tax recoverable	4 823	3 706
Prepayments	4 519	678
Accrued revenue	142	2 028
Other receivables	232	107
Total current receivables	13 841	10 213
Total receivables	13 841	10 213

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment losses) is recognised when there is objective evidence (i.e. calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

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

	2017	2016
	\$'000	\$'000
Movements in the allowance for doubtful debts (impairment loss):		
Carrying amount at the beginning of the period	(2 258)	(1 855)
Increase in the allowance	(56)	(403)
Amounts written off	821	-
Carrying amount at the end of the period	(1 493)	(2 258)

Interest rate and credit risk

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

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

a. Maturity analysis of receivables - refer to table in note 41.

b. Categorisation of financial instruments and risk exposure information - refer to note 41.

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

21 Non-current assets classified as held for sale

	2017 \$'000	2016 \$'000
Land and buildings	9 470	16 191
Total non-current assets classified as held for sale	9 470	16 191

Valuation of Assets Held for Sale

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

	2017 \$'000	2016 \$'000
Movements in the non-current assets classified as held for sale:		
Carrying amount at the beginning of the financial year	16 191	30 011
Net assets transferred as a result of an administrative restructure	(372)	-
Assets reclassified to assets held for sale	9 350	4 465
Disposals / transfers	(15 699)	(18 209)
Assets written down to fair value	-	(76)
Carrying amount at the end of the financial year	9 470	16 191

Key TAFE SA campus assets sold to the Urban Renewal Authority during 2016-17 were not disclosed as non-current held for sale as at 30 June 2016 because a reliable sales price had not been established at the time of reporting. These assets were disclosed in Property, plant and equipment.

22 Property, plant and equipment

	2017 \$'000	2016 \$'000
Plant and equipment		
Plant and equipment at cost (deemed fair value)	2 193	7 123
Plant and equipment at fair value	-	9 554
Accumulated depreciation	(981)	(6 648)
Total plant and equipment	1 212	10 029
Building and leasehold improvements		
Buildings and leasehold improvements at fair value	123 063	807 659
Accumulated depreciation	(17 477)	(53 789)
Total buildings and leasehold improvements	105 586	753 870
Land		
Land at fair value	37 908	168 981
Total land	37 908	168 981
Works of art		
Works of art at fair value	4 314	5 271
Total works of art	4 314	5 271
Capital works in progress		
Works in progress at cost	18 418	5 880
Total capital works in progress	18 418	5 880
Total property, plant and equipment	167 438	944 031

Department of State Development

Notes to and forming part of the financial statements

The reduction in building and leasehold improvements relates primarily to the sale of key TAFE SA campus assets sold to the Urban Renewal Authority during 2016-17 of \$707.7 million, refer to note 5 for further details.

Valuation of works of art

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

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

Valuation of land and buildings

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

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

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

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

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

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT

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

	Plant and equipment \$'000	Building and leasehold improvements \$'000	Land \$'000	Works of art \$'000	Capital works in progress \$'000	Total \$'000
Carrying amount at the beginning of the financial year	10 029	753 870	168 981	5 271	5 880	944 031
Additions	700	56	-	-	19 232	19 988
Capitalisation	57	3 849	-	-	(3 906)	-
Disposals	(57)	(592 403)	(121 945)	(121)	-	(714 526)
Asset derecognition	(184)	(1 438)	-	-	-	(1 622)
Impairment loss	-	(2 160)	-	(750)	-	(2 910)
Revaluation decrement equity	-	-	-	(2)	-	(2)
Revaluation decrement expense	-	(2 464)	(914)	-	-	(3 378)
Other movements	-	-	-	-	(918)	(918)
Transfers between asset class	-	-	-	-	19	19
Depreciation	(1 453)	(20 507)	-	-	-	(21 960)
Net assets transferred as a result of an administrative restructure	(7 880)	(27 349)	(6 078)	(84)	(757)	(42 148)
Assets received free of charge	-	4	210	-	-	214
Assets reclassified to assets held for sale	-	(5 872)	(2 346)	-	(1 132)	(9 350)
Carrying amount at the end of the financial year	1 212	105 586	37 908	4 314	18 418	167 438

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

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT ASSETS

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

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

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

23 Intangible assets

	2017	2016
	\$'000	\$'000
Internally developed computer software	17 065	18 044
Accumulated amortisation	(5 020)	(5 007)
Other computer software	1 548	1 548
Other accumulated amortisation	(1 070)	(1 405)
Intangibles work in progress	654	3 687
Total intangible assets	13 177	16 867

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

Impairment

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

RECONCILIATION OF INTANGIBLE ASSETS

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

	Intangibles / Software \$'000	Intangibles Work in progress \$'000	Total \$'000
Carrying amount at the beginning of the financial year	13 180	3 687	16 867
Additions	-	1 989	1 989
Capitalisation	2 540	(2 540)	-
Disposals	(710)	-	(710)
Amortisation	(2 437)	-	(2 437)
Asset derecognition	-	(9)	(9)
Net assets transferred as a result of an administrative restructure	(50)	(2 454)	(2 504)
Transfer between asset classes	-	(19)	(19)
Carrying amount at the end of the financial year	12 523	654	13 177

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

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

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

24 Investments

	2017 \$'000	2016 \$'000
Contributed capital in subsidiary company	400	400
Share of retained profit	100%	100%
Retained profits attributable to subsidiary company;		
Balance at 1 July	6 950	6 484
Change in financial assets available for sale revaluation surplus	(464)	466
Total investments as at 30 June	6 486	6 950

Scope Global Pty Ltd

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

The current investment value is an estimate of fair value and is based on unaudited financial statements as at 30 June 2017.

25 Fair value measurement

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

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

The department had no valuations categorised into level 1.

Fair value measurements at 30 June 2017

	Note	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Land	22	27 190	10 718	37 908
Plant and equipment	22	-	1 212	1 212
Buildings and leasehold improvements	22	-	105 586	105 586
Works of art	22	4 211	103	4 314
Total recurring fair value measurements		31 401	117 619	149 020
Non-recurring fair value measurements				
Land and buildings held for sale	21	9 470	-	9 470
Total non-recurring fair value measurements		9 470	-	9 470
Total fair value measurements		40 871	117 619	158 490

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

Fair value measurements at 30 June 2016

	Note	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Land	22	158 263	10 718	168 981
Plant and equipment	22	-	10 029	10 029
Buildings and leasehold improvements	22	2 092	751 778	753 870
Works of art	22	5 083	188	5 271
Total recurring fair value measurements		165 438	772 713	938 151
Non-recurring fair value measurements				
Land and buildings held for sale	21	16 191	-	16 191
Total non-recurring fair value measurements		16 191	-	16 191
Total fair value measurements		181 629	772 713	954 342

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2017. The department's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Valuation techniques and inputs

Valuation techniques used to derive level 2 and 3 fair values are at note 22. There were no changes in valuation techniques during 2017.

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

Reconciliation of fair value measurements – Level 3

	Plant and equipment \$'000	Buildings and leasehold improvements \$'000	Land \$'000	Works of art \$'000	Total \$'000
Opening balance at 1 July 2016	10 029	751 778	10 718	188	772 713
Acquisitions	700	56	-	-	756
Capitalised subsequent expenditure	57	3 849	-	-	3 906
Disposals	(57)	(590 734)	-	-	(590 791)
Asset derecognition	(184)	(1 438)	-	-	(1 622)
Disposal through administrative restructure	(7 880)	(27 168)	-	(84)	(35 132)
Assets transfer between classes	-	(364)	-	-	(364)
Assets received free of charge	-	4	-	-	4
Other Movements	-	-	-	(1)	(1)
Transfer out of level 3	-	(5 290)	-	-	(5 290)
Closing balance at 30 June 2017	2 665	130 693	10 718	103	144 179

Losses for the period recognised in net result:

Revaluation decrement	-	(2 465)	-	-	(2 465)
Impairment losses	-	(2 160)	-	-	(2 160)
Depreciation and amortisation	(1 453)	(20 482)	-	-	(21 935)
	(1 453)	(25 107)	-	-	(26 560)
Carrying amount at 30 June 2017	1 212	105 586	10 718	103	117 619

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

26 Payables

	2017	2016
	\$'000	\$'000
Current		
Creditors and accrued expenses	36 479	24 351
Employee on-costs	1 792	2 485
Total current payables	38 271	26 836
Non-Current		
Employee on-costs	1 473	2 378
Total non-current payables	1 473	2 378
Total payables	39 744	29 214

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has remained at a rate of 40% and the average factor for the calculation of employer superannuation cost on-cost has changed from 10.2% in 2016 to 10.1% in 2017. These rates are used in the employment on-cost calculation. The impact on 2018 and future years cannot be reliably estimated.

Interest rate and credit risk

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

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

27 Employee benefits

	2017	2016
	\$'000	\$'000
Current		
Accrued salaries and wages	1 145	1 276
Annual leave	5 394	7 709
Long service leave	1 038	1 498
Skills and experience retention leave	272	392
Total current employee benefits	7 849	10 875
Non-current		
Long service leave	15 697	25 610
Skills and experience retention leave	186	288
Total non-current employee benefits	15 883	25 898
Total employee benefits	23 732	36 773

AASB 119 *Employee benefits* contains the calculation methodology for the long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a 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 long service leave liability. The yield on long-term Commonwealth Government bonds has changed from 2016 (2.00%) to 2017 (2.50%).

The net financial effect of the changes in the current financial year is an decrease in the long service liability of \$0.6 million. The impact of future period 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.

Department of State Development

Notes to and forming part of the financial statements

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and the salary inflation rate at 3% for annual leave and skills and experience retention leave liability.

28 Provisions

	2017 \$'000	2016 \$'000
Current		
Provision for workers compensation	367	395
Total current provisions	367	395
Non-current		
Provision for workers compensation	682	3 500
Total non-current provisions	682	3 500
Total provisions	1 049	3 895
Carrying amount at the beginning of the period	3 895	1 267
(Decrease) / increase in provisions recognised	(2 846)	2 745
Reductions resulting from payments	-	(117)
Carrying amount at 30 June	1 049	3 895

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 of the Public Sector (a division of the Department of the Premier and Cabinet).

An employee was injured in the workplace in 2012 which resulted in a greater than 30% body impairment which requires the department to provide income maintenance for the normal working life of the employee. The reduction in the provision for workers compensation predominantly relates to the transfer of this employee to the Department of the Premier and Cabinet effective from 1 April 2017.

29 Other liabilities

	2017 \$'000	2016 \$'000
Current		
Lease incentive	386	349
Security deposits	-	5 392
Unearned revenue	180	1 687
Total current other liabilities	566	7 428
Non-current		
Lease incentive	963	1 313
Accumulated amortisation - lease incentive	-	-
Total non-current other liabilities	963	1 313
Total other liabilities	1 529	8 741

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

Department of State Development

Notes to and forming part of the financial statements

Security deposits are received to ensure mine operators rehabilitate sites and comply with all statutory requirements on cessation of mining operations. Cash deposits are classified as security deposits. The value of securities held in the form of bank guarantees are reflected as a contingent asset (refer note 32) as the department only has a claim on these funds if the mining operator fails to meet its legislative requirements. Security deposits were transferred to the Department of the Premier and Cabinet effective from 1 April 2017.

30 Equity

	2017 \$'000	2016 \$'000
Retained earnings	209 140	1 003 992
Financial assets available for sale surplus	3 882	4 346
Revaluation surplus	429	2 668
Contributed capital	45 689	11 738
Carrying amount at 30 June	259 140	1 022 744

Equity values decreased significantly in 2016-17 primarily due the sale and leaseback of key TAFE SA campus assets to the Urban Renewal Authority in March 2017 (representing assets with a written down value of approximately \$707 million) and net assets transferred out on restructure to the Department of the Premier and Cabinet effective from 1 April 2017 (amounting to approximately \$33 million), partially offset by the capital contribution for Arts South Australia capital programs (\$34 million).

31 Unrecognised contractual commitments

Capital commitments

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

	2017 \$'000	2016 \$'000
Within one year	48 500	6 202
Later than one year but not later than five years	-	1 271
Total capital commitments	48 500	7 473

Capital commitments as at 30 June 2017 mainly relate to the completion of the Adelaide Festival Centre precinct project. Other capital commitments include the Creative Arts and Design Centre of Excellence fitout at Adelaide Arts Campus; air conditioning upgrades at Port Lincoln and Port Adelaide TAFE campuses; and project management services for the Skills and Employment ICT project.

Capital commitments at 30 June 2016 mainly relate to the Adelaide Festival Centre precinct project. Other capital commitments include replacement of generator sets at Blinman, Marla and Nundroo power stations; and refurbishment of the Office of the Industry Advocate mediation rooms.

Department of State Development

Notes to and forming part of the financial statements

Other commitments

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

	2017 \$'000	2016 \$'000
Within one year	52 937	54 751
Later than one year but not later than five years	76 319	117 935
Total other commitments	129 256	172 686

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

Operating lease commitments

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

	2017 \$'000	2016 \$'000
<i>Department as lessee:</i>		
Within one year	58 354	10 824
Later than one year but not later than five years	238 635	12 154
Later than five years	607 044	2 756
Total operating lease commitments	904 033	25 734
<i>Representing:</i>		
Cancellable operating leases	1 302	1 224
Non-cancellable operating leases	902 731	24 510
Total operating lease commitments	904 033	25 734

The department's operating leases relate to office accommodation and motor vehicles. Office accommodation is leased from the Department of Planning, Transport and Infrastructure - Building Management Accommodation and Property Services and the Urban Renewal Authority (URA). The leases are non-cancellable with terms ranging up to 15 years with some leases having the right of renewal. Motor vehicles are leased from SAFA through their agent LeasePlan Australia with lease periods of up to three years.

The increase in operating lease commitments is primarily due to the lease back arrangement for the sites with the URA. Rental fees approximating \$52 million per annum will be incurred by DSD from 1 March 2017, refer to note 5 for further details.

	2017 \$'000	2016 \$'000
<i>Department as lessor:</i>		
Within one year	59 440	5 973
Later than one year but not later than five years	251 480	25 257
Later than five years	642 208	50 652
Total operating lease commitments	953 128	81 882
<i>Representing:</i>		
Non-cancellable operating leases	953 128	81 882
Total operating lease commitments	953 128	81 882

Department of State Development

Notes to and forming part of the financial statements

The department's lease as lessor relates to the Adelaide Festival Centre, Lion Arts Centre, the Waterside Workers Hall, the State Theatre and TAFE SA sites. The Adelaide Festival Centre lease is non-cancellable for 20 years with the right of renewal. The Lions Arts Centre and the Waterside Workers Hall leases are for five year terms, and the State Theatre for one year.

The increase in operating lease commitments with the department as lessor primarily relates to the sub lease of URA sites to TAFE SA under Memorandum of Administrative Arrangement, refer to note 5 for further details.

32 Contingent assets and liabilities

Contingent assets

Where specific conditions relating to a financial assistance grant are not met, the department may request the amount granted be repaid by the grantee. There are no known contingent assets arising from these present obligations as at 30 June 2017.

In 2015-16, the department held approximately \$125 million as bank guarantees in accordance with Acts administered by the department for mining and petroleum. This amount was transferred to the Department of the Premier and Cabinet effective from 1 April 2017.

Contingent liabilities

Guarantees and Indemnities

The Minister for Investment and Trade has provided a \$3 million guarantee to Scope Global Pty Ltd which has not been invoked as at 30 June 2017.

The Minister for Higher Education and Skills has entered an agreement to provide Le Cordon Bleu with an interest free loan of \$7 million conditional upon Le Cordon Bleu entering into a building contract for the development of Le Cordon Bleu's city training facility.

33 Transferred functions

	Department of the Premier and Cabinet
Assets	
Cash and cash equivalents	(6 633)
Receivables	(4 430)
Non-current assets classified as held for sale	(372)
Property, plant and equipment	(42 148)
Intangibles	(2 504)
Total Assets	(56 087)
Liabilities	
Payables	2 036
Provisions	3 126
Employee benefits	11 095
Other	6 468
Total liabilities	22 725
Total net assets transferred	(33 362)

Department of State Development

Notes to and forming part of the financial statements

Transferred out

The Public Sector (*Reorganisation of Public Sector Operations*) Notice 2017 (dated 28 March 2017) declared that all employees employed in the business units known as the Mineral Resources Division, the Energy Resources Division, the Energy Markets and Programs Division, the Resources Infrastructure and Investment Task Force (with the exception of the Case Management Function), the Strategy and Governance Unit and the Office of the Economic Development Board would transfer to the Department of the Premier and Cabinet effective from 1 April 2017.

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

34 Remuneration of board and committee members

* In accordance with the Department of the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board/committee duties during the financial year. In addition, members of Parliament who are members of boards or committees did not receive any remuneration.

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

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

Audit and Risk Management Committee

C Dunsford (Chair)

W Einarson

G Giannopoulos*

P Heithersay* (term expired February 2017)

J Hill

A Reid*

Automotive Transformation Taskforce Board

S Ludlam (Chair) (appointed July 2016)

J Camillo^

P Denley^ (appointed January 2017)

S Myatt^ (appointed January 2017)

P Sandeman^

L Stevens^

Community Arts Peer Assessment Panel[#]

K Annear^ (term expired December 2016)

C Kenneally^ (term expired December 2016)

K Lazaroff^ (term expired December 2016)

S Noonan^ (term expired December 2016)

M Rankin^ (term expired December 2016)

V Sowry^ (term expired December 2016)

This panel had no members as at 30 June 2017.

Department of State Development

Notes to and forming part of the financial statements

Commercial Development Advisory Committee

H Bromley[^]
C Charles[^]
S Clark[^]

E Fry[^]
M Potter[^]

Disability Arts Peer Assessment Panel[#]

C Pickering (Chair expired December 2016)
L Beasley (term expired December 2016)
T Doyle (term expired December 2016)

C Harris (term expired December 2016)
S Lush (term expired December 2016)
K Martinsen (term expired December 2016)

This panel had no members as at 30 June 2017.

Economic Development Board

R Spencer (Chair)
T Burgess
R Chapman (Deputy Chair resigned November 2016)
S Chase (appointed December 2016)
D Garrard
J Glass (appointed December 2016)
L Jacobs
R Kerin

D Knox (appointed February 2017)
D Lloyd
T Monro
L Read
N Roos
D Russell*
B Pocock (resigned August 2016)
J Rungie (appointed December 2016)
D Thomas

The Economic Development Board transferred to the Department of the Premier and Cabinet effective from 1 April 2017.

Health Industries South Australia Advisory Board

C Butcher (Chair)
N Brooksby (appointed January 2017)
H Domdey (appointed September 2016)
M Duffy* (appointed February 2017)
J Richter (appointed November 2016)
D Russell* (expired February 2017)
J Snelling*

S Solomon (appointed January 2017)
T Soon (appointed January 2017)
R Spencer (appointed January 2017)
J Weatherill*
S Wesselingh*
J White (appointed January 2017)

Department of State Development

Notes to and forming part of the financial statements

Minerals and Energy Advisory Council

K Yates (Chair)

J Anderson[^]

P Carr (Deputy Chair)

D Carter

A Cole[^]

D Cruickshanks-Boyd

I Gould

G Guglielmo

P Holloway

R Knol[^] (appointed March 2017)

J Kuchel[^] (resigned November 2016)

A Marsland-Smith[^]

A McCleary

J McGill[^]

G McKenzie

M Reed[^]

B Woods[^]

The Minerals and Energy Advisory Council transferred to the Department of the Premier and Cabinet effective from 1 April 2017.

Organisations Assessment Panel[#]

J Covernton (term expired December 2016)

B MacQueen (term expired December 2016)

J Pierce (term expired December 2016)

This panel had no members as at 30 June 2017.

Resources Infrastructure Taskforce Steering Committee

B Carter[^] (Chair)

D Hogben^{*}

P Heithersay^{*}

The Resources Infrastructure Taskforce Steering Committee transferred to the Department of the Premier and Cabinet effective from 1 April 2017.

State Aboriginal Heritage Committee

Q Agius

H Smith

Y Agius

S Sparrow

R Campbell

V Sumner

M Koolmatrie

G Wingfield

P Miller

Department of State Development

Notes to and forming part of the financial statements

South Australian Aboriginal Advisory Council

S Williams (Chair)	T Larkin (term expired April 2017)
J Bayliss*	T Lloyd* (term expired April 2017)
S Blake* (term expired April 2017)	W Miller
R O Callaghan	C Rigney (Deputy Chair – expired April 2017)
G M Coulthard	T L Ritchie*
M B Enalanga (Deputy Chair)	A B Shannon
M R Hopkins*	D Walker* (appointed June 2017)
	S Waters (expired April 2017)

South Australian Science Council

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

Technical Advisory Committee (Electrical and Gas)

R Faunt* (Chair)	L Moore^
A Baehnisch*	P Newan*
B Buchanan^ (resigned November 2016)	S O'Loughlin^
J Burdeniuk^	S Pisoni^ (appointed November 2016)
A Clarke^	M Sanchez^
J Corbett*	T Sika*
G Cox	P Skudds (appointed November 2016)
R Donnelly^ (resigned November 2016)	G Sorensen^ (appointed May 2016)
S Fereday* (appointed July 2016)	R Struve*
B Jackson^	A Szacinski*
R Kluba^ (appointed May 2016)	T V Tran^
G Michael^	T Tucker*
R Mignone^	T Volkmann^ (appointed July 2016)

The Technical Advisory Committee (Electrical and Gas) transferred to the Department of the Premier and Cabinet effective from 1 April 2017.

Department of State Development

Notes to and forming part of the financial statements

Tonsley Precinct Steering Committee

T Burgess (Chair)	J Schnieder ^A
J Hanlon*	A Skull ^A
R Murt*	C Stirling ^A
D Russell*	

The Tonsley Precinct Steering Committee transferred to Urban Renewal Authority in November 2016.

Training and Skills Commission

A Kittel (Chair expired December 2016)	L Maynard (Deputy Member – expired December 2016)
M Boyce (Chair - appointed January 2017)	
J Briggs (appointed January 2017)	S Myatt (appointed January 2017)
D Black (Deputy Member – term expired December 2016)	J Newlyn (term expired December 2016)
R Bonner (appointed January 2017)	A Nieuwenhuis (appointed January 2017)
J Buchanan (Deputy Member – term expired December 2016)	M OLeary (Deputy Chair)
I Curry (appointed January 2017)	L Palmer (term expired December 2016)
K Heneker (term expired December 2016)	J Rodger (appointed January 2017)
L Inglis (Deputy Member – resigned December 2016)	A Story (appointed January 2017)
J De Leo (appointed January 2017)	K Thornton* (Deputy Member – term expired December 2016)
	M Tumbers (appointed January 2017)

Remuneration of board members

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

	2017 Number	2016 Number
\$1 - \$9 999	40	78
\$10 000 - \$19 999	9	6
\$20 000 - \$29 999	2	2
\$30 000 - \$39 999	18	7
\$40 000 - \$49 999	1	8
\$50 000 - \$59 999	-	1
\$60 000 - \$69 999	1	1
\$90 000 - \$99 999	1	-
\$130 000 - \$139 999	1	2
\$150 000 - \$159 999	-	1
Total number of members	73	106

Department of State Development

Notes to and forming part of the financial statements

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, fringe benefits tax and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$1.2 million (\$1.3 million).

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

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

This table includes 21 paid board members that transitioned to the Department of the Premier and Cabinet effective from 1 April 2017.

35 Related party transactions

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

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

Significant transactions with government related entities

The department had no significant transactions with government related entities that have not been adequately disclosed elsewhere in the financial statements.

Quantitative information about transactions and balances between the department and other SA Government controlled entities are disclosed at note 39.

Key Management Personnel

Key management personnel of the department include the Ministers, the Chief Executive Officer, the Deputy Chief Executive and eight members of the Executive Team who have responsibility for the strategic direction and management of the department. The compensation detailed below excludes salaries and other benefits for Ministers. Aggregate compensation for the Ministers will be disclosed in the Whole of Government Consolidated Financial Report.

	2017
	\$'000
Compensation	
Salaries and other short term employee benefits	1 528
Post-employment benefits	315
Total Compensation	1 843

The total compensation disclosed includes the Chief Executives and two Deputy Chief Executives for the first seven months of 2016-17. From February 2017 the former Chief Executive and one Deputy Chief Executive transferred to the Department of the Premier and Cabinet, and the executive board was restructured to include to the new Chief Executive, Deputy Chief Executive and eight members of the Executive Team. The post-employment benefits relate to superannuation.

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

36 Cash flow reconciliations

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

	2017 \$'000	2016 \$'000
Reconciliation of cash and cash equivalents at 30 June 2017		
Cash and cash equivalents disclosed in the Statement of Financial Position	114 782	107 115
Balance as per the Statement of Cash Flows	114 782	107 115
Reconciliation of net cash (used in) provided by operating activities to net cost of providing services:		
Net cash used in operating activities	(681 246)	(40 853)
Less revenues from SA Government	(587 749)	(641 280)
Add payments to SA Government	611 450	7 873
Add / (less) non-cash items:		
Depreciation and amortisation expense of non-current assets	(24 397)	(31 267)
Impairment of non-current assets	(2 910)	-
Amortisation of lease incentive	313	276
Asset derecognition	(1 622)	(3 055)
Bad and doubtful debts expense	(127)	(403)
Resources received free of charge	214	182
Revaluation decrement	(3 378)	(76)
Other asset movements	(927)	-
GST on proceeds from sale of property, plant and equipment and other assets	61,159	-
Transfer in for administrative restructure	-	363
Transfer out for administrative restructure	(18 295)	(987)
Loss from disposal and write down of non-current and other assets	(116 093)	(8 597)
Increase / (decrease) in receivables	2 863	(21 429)
(Increase) / decrease in payables	(2 067)	85 132
Decrease / (increase) in other liabilities	6 899	(793)
Decrease / (increase) in provisions	2 846	(2 628)
Decrease / (increase) in employee benefits	13 041	(2 502)
Net cost of providing services	(740 026)	(660 044)

Department of State Development

Notes to and forming part of the financial statements

37 Trust funds

Extractive Areas Rehabilitation Fund

The Extractive Areas Rehabilitation Fund transferred to the Department of the Premier and Cabinet effective from 1 April 2017.

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

Net assets forgiven by the department as a result of the administrative restructure are the carrying amount of those assets in the transferor's trust funds prior to transfer.

Aggregate details of the transactions and balances relating to this trust fund to year ended 30 June 2017 are as follows:

	2017 \$'000	2016 \$'000
Operations		
Revenue	2 345	2 780
Expenditure	696	710
Net operating surplus	1 649	2 070
Assets:		
Cash at bank	-	21 841
Total assets	-	21 841
Liabilities:		
Liabilities	-	7
Total liabilities	-	7
Net assets	-	21 834
Funds:		
Balance of funds at beginning of period	21 834	19 764
Net receipts	1 649	2 070
Payments from restructure activities	(23 483)	-
Fund balance at 30 June	-	21 834
Commitments in place at 30 June	-	638

38 Events after the reporting period

A lease is currently being finalised between the SA Government and the Walker Corporation for the transfer of control over portions of land in the Festival Centre precinct currently in the name of the Minister for the Arts. The execution of the final agreement may result in changes to the value of the assets that cannot be reliably measured at the time of this report.

Ownership of Her Majesty's Theatre was transferred to the Adelaide Festival Centre Trust on 1 July 2017 for redevelopment.

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

39 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	6	4 835	5 566	98 147	112 255	102 982	117 821
Supplies and services:	7						
Accommodation and service costs		31 147	17 060	4 683	1 857	35 830	18 917
Accounting and audit fees		342	377	17	4	359	381
Communications and information technology		1 332	1 967	5 784	5 205	7 116	7 172
Contractors		391	1 038	13 339	15 070	13 730	16 108
Consultancies		-	11	2 343	4 590	2 343	4 601
Energy supply fuel and lubricants		-	-	4 315	5 651	4 315	5 651
Lease incentive amortisation		-	-	(313)	(276)	(313)	(276)
Marketing		8	8	3 311	3 385	3 319	3 393
Office administration expenses		2 249	2 624	5 991	6 692	8 240	9 316
Overseas trade representation		-	-	1 239	648	1 239	648
Remote areas energy supplies plant and equipment		-	-	428	1 117	428	1 117
Shared service fees		4 354	4 061	-	-	4 354	4 061
Staff related expenses		255	149	1 787	2 002	2 042	2 151
Travel and related expenses		1 285	1 916	3 186	3 398	4 471	5 314
Depreciation and amortisation expense	8	-	-	24 397	31 267	24 397	31 267
Grants and subsidies:	9						
Arts and Cultural		109 605	108 541	22 425	20 303	132 030	128 844
TAFE SA		230 573	234 287	-	-	230 573	234 287
Skills and Employment - VET Subsidies		-	228	34 129	52 624	34 129	52 852
Skills and Employment - Other		13 763	13 203	32 982	30 413	46 745	43 616
Resources and Energy		279	1 633	5 619	26 880	5 898	28 513
Industry, Innovation, Science and Small Business		12 433	6 192	29 938	23 184	42 371	29 376
Investment Attraction SA		22 468	2 931	-	-	22 468	2 931
International Engagement		1 896	1 850	2 236	927	4 132	2 777
Aboriginal Affairs and Reconciliation		3	-	4 345	4 775	4 348	4 775
Other		1 199	143	443	249	1 642	392
Net loss from the disposal of non-current and other assets	16	(398)	-	116 491	8 597	116 093	8 597
Other expenses:	10						
Impairment loss		-	-	2 910	3 055	2 910	3 055
Bad and doubtful debts		-	-	127	403	127	403
Asset derecognition		-	-	1 622	-	1 622	-
Revaluation decrement		-	-	3 378	76	3 378	76
Other		1	282	780	-	781	282
Total expenses		438 020	404 067	426 079	364 351	864 099	768 418

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

		SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income							
Fees and charges	12	46 945	38 220	24 229	25 025	71 174	63 245
Commonwealth	13	-	-	38 511	28 708	38 511	28 708
Interest and investment	14	15	20	200	375	215	395
Resources received free of charge	15	-	60	214	122	214	182
Other income:	17						
Fuel tax credits		-	-	1 465	2 308	1 465	2 308
Support for the regulation of Extractive Mining Operations		327	391	-	-	327	391
Sponsorship revenues		51	145	1 163	2 273	1 214	2 418
Recoveries		6 048	3 391	2 058	4 454	8 106	7 845
Community Development Fund		1 250	1 250	-	-	1 250	1 250
Other income		137	423	1 460	1 209	1 597	1 632
Total income		54 773	43 900	69 300	64 474	124 073	108 374
Financial assets							
Receivables:	20						
Receivables		1 915	1 632	3 703	4 320	5 618	5 952
Allowance for doubtful debts		8	-	(1 501)	(2 258)	(1 493)	(2 258)
GST input tax recoverable		-	-	4 823	3 706	4 823	3 706
Prepayments		4 480	-	39	678	4 519	678
Accrued revenue		41	440	101	1 588	142	2 028
Other receivables		-	-	232	107	232	107
Investments	24	-	-	6 486	6 950	6 486	6 950
Total financial assets		6 444	2 072	13 883	15 091	20 327	17 163
Financial liabilities							
Payables:	26						
Creditors and accrued expenses		12 751	4 358	23 728	19 993	36 479	24 351
Employee on-costs		1 698	2 270	1 567	2 593	3 265	4 863
Other liabilities:	29						
Lease incentive		1 349	1 662	-	-	1 349	1 662
Security deposits		-	-	-	5 392	-	5 392
Unearned revenue		91	-	89	1 687	180	1 687
Total financial liabilities		15 889	8 290	25 384	29 665	41 273	37 955

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

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

Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2016-17 Budget paper 4). Budget information has been included for the Statement of Comprehensive Income and for Investment Expenditure. Budget information has not been included for the Statement of Financial Position or Statement of Cash Flows as the information in these statements are not budgeted for on the same basis and / or determined in a different manner to financial statement information. These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements. However, these amounts have not been adjusted to reflect revised budgets or administrative restructures / machinery of government changes. The budget process is not subject to audit.

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

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

			Original DSD Portfolio Budget 2017 \$'000	Adjusted for TAFE SA, IASA and Reclasses 2017 \$'000	Original DSD Budget 2017 \$'000	Actual 2017 \$'000	Variance \$'000
Statement of	Note	Variance Ref					
Comprehensive Income							
Expenses							
Employee benefits	6		326 411	(218 380)	108 031	102 982	(5 049)
Supplies and services	7		176 172	(104 269)	71 903	87 473	15 570
Depreciation and amortisation	8		20 083	(4 356)	15 727	24 397	8 670
Grants and subsidies	9		320 804	217 624	538 428	524 336	(14 092)
Net loss from disposal of non-current and other assets	16	(a)	(1 539)	(300)	(1 839)	116 093	117 932
Other expenses	10		4 146	(3 369)	777	8 818	8 041
Total expenses			846 077	(113 050)	733 027	864 099	131 072
Income							
Fees and charges	12		147 218	(100 822)	46 396	71 174	24 778
Commonwealth	13		40 320	(2 227)	38 093	38 511	418
Other grants and contributions			14 961	(14 961)	-	-	-
Interest and investment	14		-	600	600	215	(385)
Resources received free of charge	15		300	(300)	-	214	214
Other income	17		5 608	1 082	6 690	13 959	7 269
Total income			208 407	(116 628)	91 779	124 073	32 294
Net cost of providing services		(b)	(637 670)	(3 578)	(641 248)	(740 026)	(98 778)
Revenues from / payments to SA Government							
Revenues from SA Government	18		638 999	-	638 999	587 749	(51 250)
Payments to SA Government	18		(652 319)	-	(652 319)	(611 450)	40 869
Net result		(c)	(650 990)	(3 578)	(654 568)	(763 727)	(109 159)

Department of State Development

Notes to and forming part of the financial statements

Other comprehensive income

Items that will not be reclassified to net result:

Changes in revaluation

surplus	22	-	-	-	(2)	(2)
---------	----	---	---	---	-----	-----

Items that will be reclassified

subsequently to net result when specific conditions are met:

Change in financial assets

available for sale reserve	24				(464)	(464)
----------------------------	----	--	--	--	-------	-------

Total comprehensive result	(c)	(650 990)	(3 578)	(654 568)	(764 193)	(109 625)
-----------------------------------	-----	------------------	----------------	------------------	------------------	------------------

Explanation of major variances from budget - operating

(a) Net loss from disposal of non-current assets is \$117.9 million unfavourable compared to original budget primarily due to:

- Net loss on the transfer of key TAFE SA campus assets to the Urban Renewal Authority (URA) (\$113.1 million).

(b) Net cost of providing services is \$98.8 million unfavourable compared to original budget primarily due to:

- Net loss on the transfer of key TAFE SA campus assets to URA (\$113.1 million), partially offset by,
- The machinery of government transfer of the Office of the Economic Development Board and Resources and Energy Group to the Department of the Premier and Cabinet (DPC) (\$26.7 million).

(c) Net result is \$109.1 million unfavourable compared to original budget primarily due to:

- Net loss on the transfer of key TAFE SA campus assets to URA (\$113.1 million).

	Original DSD Portfolio Budget	Adjusted for TAFE SA and Reclasses 2017	Original DSD Budget 2017	Actual 2017	Variance
Variance Ref	\$'000	\$'000	\$'000	\$'000	\$'000

Investing Expenditure Summary

Total new projects		1 715	-	1 715	3 086	1 371
Total existing projects	(d)	49 309	(874)	48 435	16 565	(31 870)
Total annual programs		6 945	(2 067)	4 878	2 324	(2 554)
Total investing expenditure	(e)	57 969	(2 941)	55 028	21 975	(33 053)

Explanation of major variances from budget – investing

(d) Expenditure on existing investing projects is \$31.9 million lower than original budget primarily relating to:

- Adelaide Festival Centre Precinct projects the underspend of which will be carried over to the future years (\$28.6 million)
- The machinery of government transfer of the Brukunga Mine project to DPC (\$7.1 million).

(e) Total expenditure on investing projects is \$33.1 million lower than original budget primarily relating to:

- Adelaide Festival Centre Precinct projects the underspend of which will be carried over to the future years (\$28.6 million)
- The machinery of government transfer of the Brukunga Mine project to DPC (\$7.1 million).

Department of State Development

Notes to and forming part of the financial statements

41 Financial risk management / Financial instruments

Financial risk management

Risk management facilitation is undertaken by the department's Strategy and Business Services Division. The department's risk management policy and procedures are drafted in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer, relevant Treasurer's Instructions and the *Australian Risk Management Principles and Guidelines*.

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

Categorisation of financial instruments

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

Refer to the table below for the carrying amounts of each of the following categories of financial assets and liabilities: held-to-maturity investments; loan and receivables; and financial liabilities measured at cost.

Liquidity risk

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

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

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

Category of financial asset and financial liability	Note	2017 Carrying amount / Fair value \$'000	2016 Carrying amount / Fair value \$'000	2017 Contractual maturities			
				Current \$'000	Within 1 year \$'000	1-5 years	More than 5 years \$'000
Financial assets							
Cash and cash equivalents	19	114 782	107 115	-	114 782	-	-
Loans and receivable ⁽¹⁾⁽²⁾	20	4 499	5 829	-	4 499	-	-
Investments	24	6 486	6 950	-	6 486	-	-
Total assets		125 767	119 894	-	125 767	-	-
Financial liabilities							
Financial liabilities at cost ⁽¹⁾	26	35 864	23 809	-	35 864	-	-
Total		35 864	23 809	-	35 864	-	-

⁽¹⁾ Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax etc they would be excluded from the disclosure. The standard defines contract as enforceable by law.

Department of State Development

Notes to and forming part of the financial statements

⁽²⁾ Receivable amount disclosed here excludes prepayments. Prepayments are not financial assets as defined in AASB 132 *Financial instruments* as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Credit risk

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

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently the department does not hold any collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer to note 20 for information on the allowance for impairment in relation to receivables.

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

	Carrying amount \$'000	Not past due and not impaired \$'000	Past due but not impaired			Impaired financial assets \$'000
			Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
2017						
Cash and cash equivalents	114 782	114 782	-	-	-	-
Loans and receivables ⁽¹⁾	4 499	1 812	806	26	362	1 493
Investments	6 486	6 486	-	-	-	-
2016						
Cash and cash equivalents	107 115	107 115	-	-	-	-
Loans and receivables ⁽¹⁾	5 829	208	1 053	126	2 184	2 258
Investments	6 950	6 950	-	-	-	-

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

Market risk

Market risk through interest rate or price fluctuations is immaterial.

Sensitivity disclosure analysis

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

Department of State Development

**Financial Statements –
Administered**

For the year ended 30 June 2017

Department of State Development
Statement of Administered Comprehensive Income
for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
Expenses		
Employee benefits	714	808
Supplies and services	244	357
Grants and subsidies	7 926	8 130
Payment of royalties to the Consolidated Account	148 347	207 994
Other expenses	2 271	4 385
Total expenses	159 502	221 674
Income		
Royalties	148 348	208 035
Interest	499	677
Other income	2 475	4 158
Total income	151 322	212 870
Net cost of providing services	(8 180)	(8 804)
Revenues from / payments to SA Government		
Revenues from SA Government	9 161	9 536
Net result	981	732
Total comprehensive result	981	732

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

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

Department of State Development
Statement of Administered Financial Position
for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
Current assets		
Cash	37 276	49 640
Receivables	182	7 354
Total current assets	37 458	56 994
Total assets	37 458	56 994
Current liabilities		
Payables	1 670	22 164
Other	-	3
Total current liabilities	1 670	22 167
Total liabilities	1 670	22 167
Net assets	35 788	34 827
Equity		
Retained earnings	35 788	34 827
Total equity	35 788	34 827

Total equity is attributable to the SA Government as owner

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

Department of State Development
Statement of Administered Changes in Equity
for the year ended 30 June 2017

	Retained Earnings
	\$'000
Balance at 30 June 2015	34 563
Net result for 2015-16	732
Total comprehensive result for 2015-16	732
Balance at 30 June 2016	35 295
Prior period adjustments	(468)
Restated balance at 30 June 2016	34 827
Net result for 2016-17	981
Total comprehensive result for 2016-17	981
Net assets transferred on restructure	(20)
Balance at 30 June 2017	35 788

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

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

Department of State Development
Statement of Administered Cash Flows
for the year ended 30 June 2017

	2017	2016
	Inflows	Inflows
	(Outflows)	(Outflows)
	\$'000	\$'000
Cash flows from operating activities		
Cash outflows		
Employee benefits	(714)	(808)
Payments for supplies and services	(862)	(1 016)
Payments for grants and subsidies	(6 261)	(8 130)
Payments for royalties to Consolidated Account	(157 884)	(203 768)
Other payments	(2 271)	(4 385)
Total cash outflows	(167 992)	(218 107)
Cash inflows		
Revenues from SA Government	9 161	9 536
Royalties receipts	154 071	205 123
Other receipts	3 584	3 759
Total cash inflows	166 816	218 418
Net cash (used in) / provided by operating activities	(1 176)	311
Cash flows from financing activities		
Cash outflows		
Payments on restructure	(11 188)	-
Total cash outflows	(11 188)	-
Net cash used by financing activities	(11 188)	-
Net (decrease) / increase in cash	(12 364)	311
Cash as at the beginning of the period	49 640	49 329
Cash and cash equivalents at the end of the period	37 276	49 640

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

Department of State Development
Disaggregated Disclosures - Expenses and Income
for the year ended 30 June 2017

	Aboriginal Affairs and Reconciliation		Small Business Commissioner		Ministers' Salary	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses						
Employee benefits	1	-	-	-	713	808
Supplies and services	224	346	-	-	-	-
Grants and subsidies	6 386	5 966	1 540	2 164	-	-
Payment of royalties to the Consolidated Account	-	-	-	-	-	-
Other expenses	(2)	531	-	-	-	-
Total expenses	6 609	6 843	1 540	2 164	713	808
Income						
Royalties	-	-	-	-	-	-
Interest	497	676	-	-	-	-
Other income	254	-	-	-	-	-
Total income	751	676	-	-	-	-
Net cost of providing services	(5 858)	(6 167)	(1 540)	(2 164)	(713)	(808)
Revenues from / payments to SA Government						
Revenues from SA Government	6 486	6 328	1 540	2 164	715	834
Net result	628	161	-	-	2	26
Total comprehensive result	628	161	-	-	2	26

Department of State Development
Disaggregated Disclosures - Expenses and Income
for the year ended 30 June 2017

	Royalties		Mintabie Administration		Native Title Agreement	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses						
Employee benefits	-	-	-	-	-	-
Supplies and services	-	-	20	11	-	-
Grants and subsidies	-	-	-	-	-	-
Payment of royalties to the Consolidated Account	148 347	207 994	-	-	-	-
Other expenses	-	(4)	-	-	2 218	3 858
Total expenses	148 347	207 990	20	11	2 218	3 858
Income						
Royalties	148 348	208 035	-	-	-	-
Interest	-	-	-	-	-	-
Other income	-	-	25	11	2 196	4 058
Total income	148 348	208 035	25	11	2 196	4 058
Net cost of providing services	1	45	5	-	(22)	200
Revenues from / payments to SA Government						
Revenues from SA Government	-	-	-	-	-	-
Net result	1	45	5	-	(22)	200
Total comprehensive result	1	45	5	-	(22)	200

Department of State Development
Disaggregated Disclosures - Expenses and Income
for the year ended 30 June 2017

	Bank of Tokyo Fund		Stolen Generations Reparations Scheme		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses						
Employee benefits	-	-	-	-	714	808
Supplies and services	-	-	-	-	244	357
Grants and subsidies	-	-	-	-	7 926	8 130
Payment of royalties to the Consolidated Account	-	-	-	-	148 347	207 994
Other expenses	-	-	55	-	2 271	4 385
Total expenses	-	-	55	-	159 502	221 674
Income						
Royalties	-	-	-	-	148 348	208 035
Interest	2	1	-	-	499	677
Other income	-	89	-	-	2 475	4 158
Total income	2	90	-	-	151 322	212 870
Net cost of providing services	2	90	(55)	-	(8 180)	(8 804)
Revenues from / payments to SA Government						
Revenues from SA Government	-	-	420	210	9 161	9 536
Net result	2	90	365	210	981	732
Total comprehensive result	2	90	365	210	981	732

Aboriginal Affairs and Reconciliation

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

Small Business Commissioner

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

Royalties

The department receives royalties levied on minerals and petroleum production on behalf of the State Government. Royalty receipts are collected pursuant to the *Roxby Downs (Indenture Ratification) Act 1982*, *Whyalla Steel Works Act 1958*, *Mining Act 1971* and the *Petroleum and Geothermal Energy Act 2000*. Royalty receipts are returned to the Consolidated Account in the month following collection. This activity was transferred to the Department of the Premier and Cabinet effective from the 1 April 2017.

Department of State Development
Disaggregated Disclosures - Expenses and Income
for the year ended 30 June 2017

Native Title Agreement

The department collects revenue via a levy equivalent to 10% of the total royalty payable for relevant royalty payers. This is offset by payments made to two Aboriginal Councils in the APY Lands. This activity was transferred to the Department of the Premier and Cabinet effective from the 1 April 2017.

Bank of Tokyo Fund

Funds held by the department of the purpose of supporting cultural and social exchange between South Australia and Japan.

Stolen Generations Reparations Scheme

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

1. 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 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.

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

The department has not yet quantified the impact of applying AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* and the resulting impact on the Statement of Comprehensive Income.

Department of State Development

Notes to and forming part of the financial statements

2. Transferred function

	Department of the Premier and Cabinet \$'000
Assets	
Cash	(11 188)
Receivables	(839)
Total assets	(12 027)
Liabilities	
Payables	12 007
Total liabilities	12 007
Total net assets transferred	(20)

Transferred out

The Public Sector (*Reorganisation of Public Sector Operations*) Notice 2017 (dated 28 March 2017) declared that all employees employed in the business units known as the Mineral Resources Division, the Energy Resources Division, the Energy Markets and Programs Division, the Resources Infrastructure and Investment Task Force (with the exception of the Case Management Function), the Strategy and Governance Unit and the Office of the Economic Development Board would transfer to the Department of the Premier and Cabinet effective 1 April 2017.

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

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

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

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

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

	Variance Ref	Original Budget 2017 \$'000	Actual 2017 \$'000	Variance \$'000
Statement of Comprehensive Income				
Expenses				
Employee benefits		727	714	13
Supplies and services		-	244	(244)
Grants and subsidies		8 028	7 926	102
Payment of royalties to the Consolidated Account	(a)	251 538	148 347	103,191
Other expenses	(b)	6 480	2 271	4,209
Total expenses		266 773	159 502	107 271
Income				
Royalties	(a)	251 538	148 348	103,190
Interest		-	499	(499)
Other income		4 060	2 475	1,585
Total income		255 598	151 322	104 276
Net cost of providing services		(11 175)	(8 180)	(2 995)
Revenues from / payments to SA Government				
Revenues from SA Government		11 175	9 161	2,014
Net result		-	981	(981)
Total comprehensive result		-	981	(981)

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.

Department of State Development

Notes to and forming part of the financial statements

Explanation of major variances from budget - administered

- (a) Royalties are recognised as administered revenue and then paid to the Department of Treasury and Finance's Consolidated Account. The variance is predominantly due to the transfer of Resources and Energy Group to the Department of the Premier and Cabinet effective from 1 April 2017 (\$91.2 million) and the royalty result for 2016-17 reflecting a difficult operating environment for many operators (\$12 million).
- (b) The Stolen Generations Reparations Scheme budget was reprofiled from 2016-17 to 2017-18 to reflect expected timing of payments to individuals.

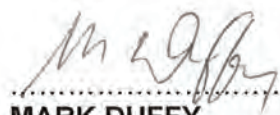
Other expenses relating to Native Title were adjusted down in line with specific petroleum royalties.

**DEPARTMENT OF STATE DEVELOPMENT
CERTIFICATION OF THE FINANCIAL STATEMENTS**

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

- 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 department; and
- present a true and fair view of the financial position of the Department of State Development as at 30 June 2017 and the results of its operations and cash flows for the 2016-17 financial year.

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



**MARK DUFFY
CHIEF EXECUTIVE
DSD**



**PHUONG CHAU
DIRECTOR, PERFORMANCE AND GOVERNANCE
DSD**

Date 15 September 2017

Date 15 September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chief Executive Department of State Development

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

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Department of State Development as at 30 June 2017, its financial performance and its cash flows for the then year ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- Disaggregated Disclosures – Expenses and Income for the year ended 30 June 2017
- Disaggregated Disclosures – Assets and Liabilities as at 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Statement of Administered Comprehensive Income for the year ended 30 June 2017
- a Statement of Administered Financial Position as at 30 June 2017
- a Statement of Administered Changes in Equity for the year ended 30 June 2017
- a Statement of Administered Cash Flows for the year ended 30 June 2017
- a Schedule of Expenses and Income attributable to administered activities for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information for administered items
- a Certificate from the Chief Executive and the Director, Performance and Governance.

Basis for opinion

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

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

Responsibilities of the Chief Executive for the financial report

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

Auditor's responsibilities for the audit of the financial report

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

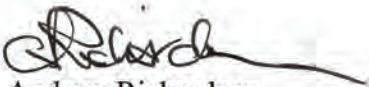
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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



Andrew Richardson

Auditor-General

19 September 2017

Super SA Retirement Investment Fund

Financial report
for the year ended
30 June 2017

Super SA Retirement Investment Fund

Statement of Financial Position

As at 30 June 2017

	Note	2017 \$000	2016 \$000
Assets			
Cash and cash equivalents		18 370	24 756
Receivables	4	544	1 270
Investments	5		
Cash		360 325	365 765
Inflation Linked Securities B		343 898	304 134
Property B		393 744	324 820
Australian Equities B		714 322	566 063
International Equities B		631 916	483 135
Long Term Fixed Interest		236 605	217 422
Short Term Fixed Interest		252 849	212 025
Diversified Strategies Growth B		202 831	155 585
Diversified Strategies Income		579 772	511 371
Socially Responsible		41 571	46 773
Total assets		3 776 747	3 213 119
Liabilities			
Benefits payable		11 426	8 070
Payables	7	460	44
Insurance liabilities		305	262
Provision for PAYG withholding tax		96	83
Income tax payable	12(b)	3 210	16 660
Deferred tax liabilities	12(c)	10 305	6 153
Total liabilities excluding member benefits		25 802	31 272
Net assets available for member benefits	8	3 750 945	3 181 847
Member benefits			
Income Stream (IS) member benefit liabilities	3	2 754 637	2 394 058
Flexible Rollover Product (FRP) member benefit liabilities	3	985 084	773 264
Total member benefits		3 739 721	3 167 322
Total net assets		11 224	14 525
Equity			
Administration Fee Reserve	14	11 955	8 305
Insurance Reserve	15	1 936	1 456
Operational Risk Reserve	16	5 824	3 727
Investment allocation over/(under)		(8 491)	1 037
Total equity		11 224	14 525

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
Change in investments measured at fair value		310 830	109 445
Interest		300	542
Other income		4 911	4 115
Total revenue		316 041	114 102
Investment expenses	9	19 534	13 613
Administration expenses	10	2 353	1 945
Total expenses		21 887	15 558
Result from superannuation activities		294 154	98 544
Net result from insurance activities		437	8
Result from operating activities		294 591	98 552
Net benefits allocated to FRP members accounts		(69 452)	(16 626)
Net benefits allocated to IS members accounts		(229 592)	(77 036)
Operating result before income tax		(4 453)	4 890
Income tax expense (benefit)	12(a)	(1 102)	(7 977)
Net operating result		(5 555)	(3 087)

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

Super SA Retirement Investment Fund

Statement of Changes in Member Benefits For the year ended 30 June 2017

	Flexible Rollover Product \$000	Income Stream \$000	Total \$000
Opening balance as at 1 July 2016	773 264	2 394 058	3 167 322
Member contributions	92 369	-	92 369
Government co-contributions	68	-	68
Spouse contributions	1 844	-	1 844
Rollovers from other schemes	255 923	563 340	819 263
Internal transfers	(38 855)	38 855	-
Income tax on rollovers	(25 542)	(51 544)	(77 086)
Net contributions	285 807	550 651	836 458
Benefits to members	(143 112)	(419 664)	(562 776)
Insurance premiums charged to members	(327)	-	(327)
Net benefits comprising:			
Net investment income	70 187	235 419	305 606
Administration fees	(735)	(5 827)	(6 562)
Closing balance as at 30 June 2017	985 084	2 754 637	3 739 721

	Flexible Rollover Product \$000	Income Stream \$000	Total \$000
Opening balance as at 1 July 2015	698 341	1 951 646	2 649 987
Member contributions	69 261	-	69 261
Government co-contributions	75	-	75
Spouse contributions	2 183	-	2 183
Rollovers from other schemes	286 313	600 868	887 181
Internal transfers	(130 484)	130 484	-
Income tax on rollovers	(27 785)	(53 494)	(81 279)
Net contributions	199 563	677 858	877 421
Benefits to members	(140 965)	(312 482)	(453 447)
Insurance premiums charged to members	(301)	-	(301)
Net benefits comprising:			
Net investment income	17 008	81 138	98 146
Administration fees	(382)	(4 102)	(4 484)
Closing balance as at 30 June 2016	773 264	2 394 058	3 167 322

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

	Administration Fee Reserve \$000 Note 14	Insurance Reserve \$000 Note 15	Operational Risk Reserve \$000 Note 16	(Under)/over allocated benefits \$000	Total Equity \$000
2017					
Opening balance	8 305	1 456	3 727	1 037	14 525
Net operating result	3 650	480	2 097	(11 782)	(5 555)
Net transfers to/from reserves/equity	-	-	-	2 254	2 254
Closing balance	11 955	1 936	5 824	(8 491)	11 224
2016					
Opening balance	3 573	1 186	3 234	7 421	15 414
Net operating result	2 534	270	493	(6 384)	(3 087)
Net transfers to/from reserves/equity	2 198	-	-	-	2 198
Closing balance	8 305	1 456	3 727	1 037	14 525

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

Super SA Retirement Investment Fund

Statement of Cash Flows For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
GST recoup		162	133
Other income		313	550
Administration expenses paid		(2 522)	(2 080)
Income tax paid		(18 831)	(7 025)
Net flows from operating activities	13	(20 878)	(8 422)
Payments to Funds SA for the purchase of investments		(683 701)	(755 120)
Receipts from the sale of investments from Funds SA		409 321	325 185
Net flows from investing activities		(274 380)	(429 935)
Member contributions		92 609	69 261
Spouse contributions		1 844	2 183
Government co-contributions		68	75
Net transfers from other superannuation entities		820 158	886 797
Payment from the Operational Risk Reserve		(23)	-
Flexible Rollover Product payments		(143 591)	(138 549)
Income Stream payments		(415 816)	(311 306)
Contributions tax paid		(66 377)	(67 554)
Net cash from financing activities		288 872	440 907
Net change in cash		(6 386)	2 550
Cash at beginning of the financial period		24 756	22 206
Cash at end of the financial period		18 370	24 756

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

Super SA Retirement Investment Fund

Notes to the Financial Statements

1. Objectives and funding

(a) *Super SA Retirement Investment Fund (the Fund)*

The Flexible Rollover Product and the Super SA Income Stream Product were introduced from April 2005 under the now repealed *Southern State Superannuation Act 1994*.

The Fund continues in existence under Section 30(9) of the *Southern State Superannuation Act 2009* (the Act) which provides that the Governor may make regulations enabling the South Australian Superannuation Board (the Board) to provide investment services and the provision of other products and services for the benefit of persons who have retired or otherwise ceased to be employed.

Part 3 Division 4 of the *Southern State Superannuation Regulations 2009* (the Regulations) provides that the Board may accept money from public sector superannuation beneficiaries or the spouses of public sector beneficiaries.

The Fund comprises of two different products; the Flexible Rollover Product and the Income Stream.

The Flexible Rollover Product may receive after-tax investor contributions and rollovers from investors.

The Income Stream may only receive rollovers from investors.

The Fund offers investors the opportunity to reinvest funds, providing them with tax advantages, low fees and choice of investment options.

The Fund is only available to investors who have retired, are reaching retirement age, or have terminated employment with the SA public sector. The Fund allows investors in the Flexible Rollover Product to maintain their current insurance through the Triple S Scheme, and provides access to non-preserved benefit amounts.

Benefits, represented by the balances of investors' accounts, are available to investors. The balance of individual investor entitlements is provided on annual statements forwarded to each investor.

Investor contributions are deposited by the Treasurer into the Fund which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Fund is an exempt public sector superannuation entity and operates on a not for profit basis.

(b) *South Australian Superannuation Board*

The purpose of this financial report is to discharge the responsibilities of the Board under section 15 of the Act and Section 45 of the Regulations, to maintain proper accounts of receipts and payments.

The Act charges the Board with responsibility for all aspects of the administration of the Act except for the management and investment of the assets relating to the Flexible Rollover Product and Income Stream.

(c) *Superannuation Funds Management Corporation of South Australia*

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Funds SA Act). Funds SA is responsible for the investment and management of funds pursuant to strategies formulated by Funds SA. The Fund is not Crown property and therefore operates in a taxed environment.

For further information on investment activities, reference should be made to the annual report of Funds SA. The financial report of Funds SA discloses the investment assets, liabilities, income and expenses relating to the investment activities of Funds SA (an SA Government Entity).

(d) *Funding arrangements*

Investments by investors in one or more of the products available in the Fund are paid to the Board, and invested by Funds SA. All investments are the personal property of the investor who makes the investment, and, as such, are subject to tax on investment earnings where applicable.

2. 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).

Super SA Retirement Investment Fund

The Fund is a not-for-profit entity for the purpose of preparing financial statements.

(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, and, insurance 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 Fund 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 2017:

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			
Flexible Rollover Product (FRP) Australian equities	138 379	143	138 522
Flexible Rollover Product (FRP) International equities	117 792	265	118 057
Income Stream (IS) Australian equities	427 101	440	427 541
Income Stream (IS) International equities	364 261	817	365 078
Subtotal	1 047 533	1 665	1 049 198
Member benefits			
Member benefits recognised as liabilities rather than equity:			
Income Stream (IS) member liabilities	-	(773 264)	(773 264)
Flexible Rollover Product (FRP) member liabilities	-	(2 394 058)	(2 394 058)
	-	(3 167 322)	(3 167 322)
Equity			
Member benefits recognised as liabilities rather than equity:			
Member benefits	(3 167 322)	3 167 322	-
	(3 167 322)	3 167 322	-
Impact of AASB1056 on income statement			
Net operating result before income tax previously reported	982 283	-	982 283
Change in measurement from net market value to fair value:			
Changes in investments measured at fair value	-	1 665	1 665
Contributions, rollovers and other inward transfers and benefits paid to members are transferred to the statement of changes in member benefits:			
Member contributions	-	(71 444)	(71 444)
Government co-contributions	-	(75)	(75)
Initial recognition of self-insurance liabilities	-	(262)	(262)
Net movement from insurance activities	-	270	270
Rollovers from other schemes	-	(887 181)	(887 181)
Income tax	-	65 319	65 319
Result from operating activities	982 283	(891 708)	90 575
Benefits allocated to members accounts	-	(93 662)	(93 662)
Net operating result	982 283	(985 370)	(3 087)

Super SA Retirement Investment Fund

(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.

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 Fund 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 Fund are outlined in the table below. Standards and Interpretations that are not expected to have a material impact on the Fund 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 Fund 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 Fund, if any, do not meet the hedge accounting criteria as defined by AASB 139. Consequently hedge accounting is not applied by the Fund.

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 Fund 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 Fund 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 Fund recognises the difference in the income statement, unless specified otherwise.

(d) Subsequent measurement

After initial measurement, the Fund 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.

Super SA Retirement Investment Fund

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 by the Fund.

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 best economic interest.

The Fund 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. Refer to financial statement notes 6 and 9.

(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 Fund prior to the end of the financial year that are unpaid when the Fund 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 Fund with appropriate notification on or prior to 30 June 2017 but paid after 30 June 2017.

(i) Insurance liabilities

Insurance liabilities have been recognised and measured using the approach to measuring defined benefit member liabilities as required by AASB 1056. The Scheme has adopted the equivalent AASB 1056 approved shortcut method that provides a valuation to meet the accrued insurance liabilities as at that date when they are expected to fall due.

(j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund 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.

(k) Taxation

The Fund is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1997* and accordingly the concessional tax rate of 15% has been applied.

The Flexible Rollover Product and the Income Stream commenced on 1 April 2005 and are entitled to concessional tax treatment at the rate of 15 percent.

Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial report and the corresponding tax base of those items.

Super SA Retirement Investment Fund

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are estimated to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

(l) 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.

(m) Foreign currency

The functional and presentation currency of the Fund is Australian dollars, which is the currency of the primary economic environment the Fund operates. The Fund'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.

(n) Investments

Funds SA provides investments measured at fair value. Below is the basis for valuation of these investments.

(i) Inflation Linked Securities B

The Inflation Linked Securities portfolio invests in discretely managed portfolios and internal inflation linked securities. Discretely managed portfolios are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date.

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

(ii) Property B

The Property B portfolio comprises two sub-sectors:

Listed Property Trusts

These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this sub-sector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

Unlisted property vehicles

The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian Equities B

The Australian Equities B portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International Equities B

The International Equities B portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed

Super SA Retirement Investment Fund

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 B

The Diversified Strategies Growth B portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus 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.

(o) 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 (b)). 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

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.

(p) Member liabilities

Member liabilities are measured at the amount of accrued benefits. As defined contribution member liabilities, they are measured as the amount of member account balances as at the reporting date.

(q) Significant accounting judgements, estimates and assumptions

The preparation of the Fund'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 represented to be consistent with current period disclosures.

Super SA Retirement Investment Fund

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.

3. Member benefit liabilities

Members are defined contribution members and bear the investment risk relating to the underlying assets and unit prices used to measure the member liabilities. Member account balances are determined by unit prices that are determined based on the underlying investment movements. Unit prices are updated twice weekly.

	Flexible Rollover Product		Income Stream		Totals	
	2017	2016	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000	\$000
Member benefits	985 084	773 264	2 754 637	2 394 058	3 739 721	3 167 322
As compared to net assets	989 491	781 656	2 761 454	2 400 191	3 750 945	3 181 847

4. Receivables

	Flexible Rollover Product		Income Stream		Totals	
	2017	2016	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000	\$000
Refund from ATO for GST	15	15	31	22	46	37
Interest	9	10	15	28	24	38
Contributions receivable	140	-	-	-	140	-
Rollovers receivable	-	-	334	1 195	334	1 195
	164	25	380	1 245	544	1 270

5. 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 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 Fund's investments are not quoted in an active market. The Fund'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 Fund classifies these funds as Level 2.

Super SA Retirement Investment Fund

There were no changes in valuation techniques during the year.

	Flexible Rollover Product		Income Stream		Totals	
Financial assets at fair value through profit or loss	2017	2016	2017	2016	2017	2016
- Level 2						
Level 1 and level 3 are not relevant to the Fund	\$000	\$000	\$000	\$000	\$000	\$000
Unlisted managed investment schemes						
Funds SA	995 694	787 706	2 762 139	2 399 387	3 757 833	3 187 093
	995 694	787 706	2 762 139	2 399 387	3 757 833	3 187 093

6. Movement in the value of investments

	Flexible Rollover Product		Income Stream		Totals	
	2017	2016	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000	\$000
Investments at 1 July	787 706	706 927	2 399 387	1 950 240	3 187 093	2 657 167
Cash	9 142	284	(14 582)	8 908	(5 440)	9 192
Inflation Linked Securities B	14 958	(120)	24 806	21 644	39 764	21 524
Property B	24 045	25 525	44 879	98 022	68 924	123 547
Australian Equities B	49 544	10 015	98 715	74 857	148 259	84 872
International Equities B	47 847	(345)	100 934	38 745	148 781	38 400
Long Term Fixed Interest	8 260	10 116	10 923	47 330	19 183	57 446
Short Term Fixed Interest	14 247	5 007	26 577	25 975	40 824	30 982
Diversified Strategies Growth B	15 538	6 340	31 708	30 719	47 246	37 059
Diversified Strategies Income	26 733	22 883	41 668	105 159	68 401	128 042
Socially Responsible	(2 326)	1 074	(2 876)	(2 212)	(5 202)	(1 138)
Change in investments	207 988	80 779	362 752	449 147	570 740	529 926
Investments at 30 June	995 694	787 706	2 762 139	2 399 387	3 757 833	3 187 093

7. Payables

	Flexible Rollover Product		Income Stream		Totals	
	2017	2016	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000	\$000
Audit fees payable	15	17	31	27	46	44
Contributions refundable	380	-	-	-	380	-
Rollovers refundable	-	-	34	-	34	-
	395	17	65	27	460	44

Super SA Retirement Investment Fund

8. Net assets

	Flexible Rollover Product		Income Stream		Totals	
	2017	2016	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000	\$000
Net assets available to pay benefits at 1 July	781 656	699 959	2 400 191	1 951 646	3 181 847	2 651 605
Add:						
Member contributions	92 369	69 261	-	-	92 369	69 261
Rollovers from other schemes	255 923	286 313	563 340	600 868	819 263	887 181
Internal transfers	126 225	21 799	179 019	160 311	305 244	182 110
Change in investments measured at fair value	75 753	27 887	235 230	81 602	310 983	109 489
Government co-contributions	68	75	-	-	68	75
Spouse contributions	1 844	2 183	-	-	1 844	2 183
Other revenue	509	479	4 702	4 178	5 211	4 657
	552 691	407 997	982 291	846 959	1 534 982	1 254 956
Less:						
Benefits paid and payable	143 112	140 965	419 664	312 482	562 776	453 447
Internal transfers	165 080	152 283	140 164	29 827	305 244	182 110
Investment expense	4 772	3 498	14 762	10 115	19 534	13 613
Insurance expense	43	262	-	-	43	262
Administration expense	785	782	1 568	1 163	2 353	1 945
Payments from Operational Risk Reserve	23	-	-	-	23	-
Income tax	31 041	28 510	44 870	44 827	75 911	73 337
	344 856	326 300	621 028	398 414	965 884	724 714
Net assets available to pay benefits at 30 June	989 491	781 656	2 761 454	2 400 191	3 750 945	3 181 847

9. Investment expenses

	Flexible Rollover Product		Income Stream		Totals	
	2017	2016	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000	\$000
Investment expenses	4 772	3 498	14 762	10 115	19 534	13 613
	4 772	3 498	14 762	10 115	19 534	13 613

Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Fund based on the Fund's investment. The 2017 investment expenses increased due mainly to higher performance fees that aligned with investment performance for the year.

10. Administration expenses

	Flexible Rollover Product		Income Stream		Totals	
	2017	2016	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000	\$000
Administration expenses	769	764	1 535	1 135	2 304	1 899
Other expenses ⁽ⁱ⁾	16	18	33	28	49	46
	785	782	1 568	1 163	2 353	1 945

(i) Other expenses include Auditor's remuneration. Refer note 11.

11. Auditors' remuneration

	2017	2016
	\$000	\$000
Audit fees paid or payable	42	41
	42	41

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.

Super SA Retirement Investment Fund

12. Income tax

	Flexible Rollover Product		Income Stream		Totals	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Major components of tax expense						
(a) Current income tax expense						
Current tax charge	1 507	608	(6 827)	(7 142)	(5 320)	(6 534)
Adjustment to current tax for prior periods	(112)	(445)	177	(1 550)	65	(1 995)
Deferred income tax						
Relating to the origination and reversal of temporary differences	4 037	626	-	-	4 037	626
Adjustment to deferred tax for prior periods	116	(74)	-	-	116	(74)
Income tax expense	5 548	715	(6 650)	(8 692)	(1 102)	(7 977)
The prima facie income tax expense on the benefits accrued as a result of operations before income tax reconciles to the income tax expense in the Income Statement as follows:						
Net operating result before tax	1 537	7 424	(5 990)	(2 534)	(4 453)	4 890
Tax applicable at the rate of 15% (2016: 15%)	231	1 114	(899)	(380)	(668)	734
Tax effect of expenses that are not assessable/or deductible in determining taxable income:						
Non-deductible expenses	-	-	24	16	24	16
Tax effect of income/(losses) that are not assessable/or deductible in determining taxable income:						
Investment revenue	(1 496)	(313)	-	-	(1 496)	(313)
Investor contributions	-	-	-	-	-	-
Exempt pension income	-	-	(33 786)	(11 377)	(33 786)	(11 377)
Tax effect of other adjustments:						
Imputation and foreign tax credits	(3 459)	(1 958)	(6 481)	(6 886)	(9 940)	(8 844)
Over provision prior period	(37)	(519)	177	(1 550)	140	(2 069)
Self-insurance deduction	(60)	(55)	-	-	(60)	(55)
Anti-detriment deductions	-	(45)	(124)	(71)	(124)	(116)
Net benefit allocated to members	10 418	2 494	34 439	11 555	44 857	14 049
Deductible financial planning fees	(6)	-	-	-	(6)	-
Movement in insurance liabilities	(43)	(2)	-	-	(43)	(2)
Income tax expense	5 548	716	(6 650)	(8 693)	(1 102)	(7 977)
(b) Current tax liabilities						
Balance at beginning of year	3 984	5 675	12 676	12 780	16 660	18 455
Income tax paid - current period	(26 007)	(24 417)	(42 549)	(33 703)	(68 556)	(58 120)
Income tax paid - prior period	(3 825)	(5 260)	(12 826)	(11 351)	(16 651)	(16 611)
Current year's income tax provision	27 048	28 400	44 717	46 379	71 765	74 779
(Over) provision prior period	(158)	(414)	150	(1 429)	(8)	(1 843)
Current tax liability	1 042	3 984	2 168	12 676	3 210	16 660
(c) Deferred tax liability						
The amount of deferred tax liability recognised in the Statement of Financial Position at reporting date is made up as follows:						
Accrued expenses	(2)	(3)	-	-	(2)	(3)
Realised capital losses carried forward (discounted)	(979)	(1 608)	-	-	(979)	(1 608)
Unrealised capital losses/(gains) carried forward (discounted)	11 286	7 764	-	-	11 286	7 764
Deferred tax liability	10 305	6 153	-	-	10 305	6 153

The Fund offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets

Super SA Retirement Investment Fund

13. 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:

	Flexible Rollover Product		Income Stream		Totals	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Cash and cash equivalents	9 337	8 477	9 033	16 279	18 370	24 756

Reconciliation of net operating result to net cash flows from operating activities

Net operating result	7 085	8 140	(12 640)	(11 227)	(5 555)	(3 087)
Adjustments for:						
Change in investments measured at fair value	(75 600)	(27 843)	(235 230)	(81 602)	(310 830)	(109 445)
Investment expenses	4 772	3 498	14 762	10 115	19 534	13 613
Administration fee received	(395)	(305)	(4 516)	(3 810)	(4 911)	(4 115)
Net insurance movement	(437)	(8)	-	-	(437)	(8)
Income tax	5 548	716	(6 650)	(8 693)	(1 102)	(7 977)
(Increase) / decrease in receivables	1	3	(4)	5	(3)	8
Increase / (decrease) in payables	(19 911)	(2 176)	3 293	11 103	(16 618)	8 927
Allocation to members' accounts	69 452	16 626	229 592	77 036	299 044	93 662
Net cash outflows from operating activities	(9 485)	(1 349)	(11 393)	(7 073)	(20 878)	(8 422)

14. Administration Fee Reserve

The surplus attributable to administration fees for both Income Stream and Flexible Rollover Product included in funds under management were initially recognised in March 2014 as Administration Reserves. The reserves are credited with administration fees deducted from member accounts and debited with the costs incurred in administering the funds.

	Flexible Rollover Product		Income Stream		Totals	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Opening balance	212	(1 554)	8 093	5 127	8 305	3 573
Investment earnings ⁽ⁱ⁾	9	12	1 035	287	1 044	299
Premiums and charges	395	320	4 516	3 814	4 911	4 134
Administration fees	(769)	(764)	(1 536)	(1 135)	(2 305)	(1 899)
Transfer to reserve	-	2 198	-	-	-	2 198
Operating result	(365)	1 766	4 015	2 966	3 650	4 732
Closing balance	(153)	212	12 108	8 093	11 955	8 305

- (i) The Administration Reserves are notionally invested in the Balanced Option. The annual earning rates were 9.54% (FRP) and 10.90% (IS).

Super SA Retirement Investment Fund

15. Insurance Reserve

The surplus attributable to the insurance pool for the Flexible Rollover Product was initially recognised in March 2014 as an Insurance Reserve and operates on a self-insurance basis. This reserve is credited with insurance deductions from member accounts and debited with the value of benefits paid to members. Insurance is not available to Income Stream investors.

	Flexible Rollover Product		Income Stream		Totals	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Opening balance	1 456	1 186	-	-	1 456	1 186
Investment earnings ⁽ⁱ⁾	153	44	-	-	153	44
Premiums and charges	327	301	-	-	327	301
Benefit payments	-	(75)	-	-	-	(75)
Operating result	480	270	-	-	480	270
Closing balance	1 936	1 456	-	-	1 936	1 456

(i) The Insurance Reserve is notionally invested in the Balanced option. The annual earning rate was 9.54%.

16. Operational Risk Reserve

The Operational Risk Reserves for Income Stream and Flexible Rollover Product were established at 31 December 2012 of 0.20 percent of funds under management. From April 2016 members have been charged a fee (0.04% FRP, 0.05% IS) via a reduction to the unit prices in order to build the reserves to 0.25 percent of funds under management.

	Flexible Rollover Product		Income Stream		Totals	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Opening balance	1 125	1 013	2 602	2 221	3 727	3 234
Investment earnings ⁽ⁱ⁾	122	34	346	91	468	125
Premiums and charges	340	78	1 312	292	1 652	370
ORR payments	(23)	-	-	(2)	(23)	(2)
Operating result	439	112	1 658	381	2 097	493
Closing balance	1 564	1 125	4 260	2 602	5 824	3 727

(i) The Operational Risk Reserves are notionally invested in the Balanced option. The annual earning rates for FRP was 9.54% (2016: 3.30%) and for IS was 10.90% (2016: 3.99%).

17. Financial risk management objectives and policies

The Fund's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Fund and is in accordance with the Fund's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Fund's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

The nature and extent of the financial instruments employed by the Fund are discussed below. This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Fund's investment risk management framework.

The Fund's investment risk management policies are established to identify and analyse the risks faced by the Fund, including those risks managed by the Fund's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Board receives regular reports from Funds SA concerning compliance with the Fund's investment objectives.

Super SA Retirement Investment Fund

(a) Market risk

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

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.

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 Fund's receivables and payables are non-interest bearing. The carrying amounts of these assets approximate to fair value.

III. Other market price risk

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Fund'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 standard deviation around expected nominal returns for each asset class.

Super SA Retirement Investment Fund

Income Stream 2017

The statistics shown above are averages calculated over 10 years, net of investment management fees and gross of tax. These investment statistics have a zero percent tax rate applied and includes franking credits.

Investment asset class	Average Return	Market Risk	Potential impact of market risk (+/-) on Income Statement
	%	%	+/- \$000
Cash	3.2	1.3	3 328
Inflation Linked Securities B	3.2	3.9	9 572
Property B	7.9	11.1	29 766
Australian Equities B	9.9	19.5	92 995
International Equities B	9.5	16.7	69 396
Long Term Fixed Interest	3.3	3.8	6 519
Short Term Fixed Interest	3.0	2.7	4 724
Diversified Strategies Growth B	9.2	16.3	21 584
Diversified Strategies Income	6.6	6.5	26 630

Income Stream 2016

Investment asset class	Average Return	Market Risk	Potential impact of market risk (+/-) on Income Statement
	%	%	+/- \$000
Cash	2.9	1.5	3 883
Inflation Linked Securities B	3.0	4.3	9 555
Property B	7.7	11.0	21 639
Australian Equities B	9.9	19.4	75 682
International Equities B	9.1	16.6	57 387
Long Term Fixed Interest	3.3	3.4	4 842
Short Term Fixed Interest	3.1	3.6	5 352
Diversified Strategies Growth B	9.5	16.3	16 496
Diversified Strategies Income	6.6	6.3	21 185

Flexible Rollover Product 2017

The statistics shown below are averages calculated over 10 years, net of investment management fees and gross of tax. These investment statistics have a 15 percent tax rate applied and includes franking credits.

Investment asset class	Average Return	Market Risk	Potential impact of market risk (+/-) on Income Statement
	%	%	+/- \$000
Cash	2.7	1.1	1 177
Inflation Linked Securities B	2.7	3.3	2 594
Property B	6.8	9.6	8 747
Australian Equities B	8.7	17.6	28 740
International Equities B	8.3	15.0	21 297
Long Term Fixed Interest	2.8	3.3	1 831
Short Term Fixed Interest	2.6	2.3	1 322
Diversified Strategies Growth B	8.2	14.6	6 832
Diversified Strategies Income	5.7	5.6	7 610

Super SA Retirement Investment Fund

Flexible Rollover Product 2016

Investment asset class	Average Return	Market Risk	Potential impact of market risk (+/-) on Income Statement
	%	%	+/- \$000
Cash	2.5	1.3	1 330
Inflation Linked Securities B	2.6	3.7	2 633
Property B	6.6	9.6	6 368
Australian Equities B	8.6	17.5	23 365
International Equities B	8.0	15.0	17 734
Long Term Fixed Interest	2.8	2.9	1 342
Short Term Fixed Interest	2.7	3.1	1 484
Diversified Strategies Growth B	8.4	14.6	5 235
Diversified Strategies Income	5.7	5.5	6 109

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 Fund.

The net market value of financial assets, included in the Statement of Financial Position represents the Fund's maximum exposure to credit risk in relation to those assets. The Fund does not have any significant exposure to any individual counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Fund does not have any assets which are past due or impaired and there is no concentration of credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

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 Fund's financial liabilities based on the earliest date on which the Fund can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

Super SA Retirement Investment Fund

30 June 2017	Less than 3 Months \$000	Total Contractual Cash Flows \$000	Carrying Amount Liabilities \$000
Benefits payable	11 426	11 426	11 426
Vested benefits ⁽ⁱ⁾	3 739 721	3 739 721	3 739 721
Total	3 751 147	3 751 147	3 751 147

30 June 2016	Less than 3 Months \$000	Total Contractual Cash Flows \$000	Carrying Amount Liabilities \$000
Benefits payable	8 070	8 070	8 070
Vested benefits ⁽ⁱ⁾	3 167 322	3 167 322	3 167 322
Total	3 175 392	3 175 392	3 175 392

- (i) Vested benefits have been included in the "Less than 3 months" column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

(d) 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.

18. Segment information

The Fund operates in one reportable segment, being the provision of benefits to members. The Fund also operates from one reportable geographic segment, being Australia, from where its activities are managed. While the Fund operates from Australia only, the Fund, through its investment managers Funds SA, has investment exposures in different countries and across different industries. Revenue derived from interest and the realised and unrealised changes in the value of investments.

19. 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.

20. Events after the reporting period

The Commonwealth's 2016 Federal Budget Measures included a policy change to the taxation of transition to retirement (TTRs) income products. On 1 July 2017, in response to this measure, the Income Stream investments for affected members transitioned to a taxed portfolio. All remaining Income Stream member investments were retained in the untaxed portfolio. The portion of Income Stream investments transferred to a taxed investment portfolio on 1 July 2017 was \$602.177 million.

Super SA Retirement Investment Fund

Certification of the Financial Report

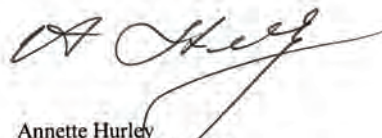
We certify that the attached general purpose financial report for the Super SA Retirement Investment Fund:

- complies with any relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*;
- is in accordance with the accounts and records of the Fund; and
- presents fairly the financial position of the Fund 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 Fund for the financial year over its financial reporting and its preparation of the general purpose financial report have been effective throughout the reporting period.



John Montague
GENERAL MANAGER
STATE SUPERANNUATION OFFICE



Annette Hurley
PRESIDING MEMBER
SA SUPERANNUATION BOARD



Mark Carpinelli
MANAGER FINANCIAL SERVICES
STATE SUPERANNUATION OFFICE

Date 15/09/2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Presiding Member South Australian Superannuation Board Super SA Retirement Investment Fund

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 15(3) of the *Southern State Superannuation Act 2009*, I have audited the financial report of the Super SA Retirement Investment Fund 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 Super SA Retirement Investment Fund 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 Super SA Retirement Investment Fund. 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 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.

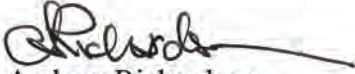
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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

Superannuation Funds
Management Corporation
of South Australia

Financial report
for the year ended
30 June 2017

Funds SA
Financial Statements for the year ended 30 June 2017

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
Income			
Revenues from fees and charges		8,031	7,396
Interest revenues		61	62
Total Income		8,092	7,458
Expenses			
Employee benefits costs	3	4,986	4,573
Supplies and services	4	1,670	1,485
Depreciation and amortisation expense	5	194	195
Net loss from disposal of non-current assets		-	16
Total Expenses		6,850	6,269
Net Surplus		1,242	1,189
Total Comprehensive Result		1,242	1,189
The Net Surplus and Comprehensive Result is attributable to the SA Government as owner			

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

Funds SA
Financial Statements for the year ended 30 June 2017

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
Current Assets			
Cash and cash equivalents		5,558	4,100
Receivables		907	867
Total Current Assets		6,465	4,967
Non-Current Assets			
Property, plant and equipment	6	1,105	1,278
Investments in Funds SA Unit Trusts	16	-	-
Total Non-Current Assets		1,105	1,278
Total Assets		7,570	6,245
Current Liabilities			
Payables	7	510	524
Employee benefits	8	505	400
Total Current Liabilities		1,015	924
Non-Current Liabilities			
Payables	7	80	80
Employee benefits	8	882	890
Total Non-Current Liabilities		962	970
Total Liabilities		1,977	1,894
Net Assets		5,593	4,351
Equity			
Retained earnings		5,593	4,351
Total Equity		5,593	4,351
The total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	11		
Contingent assets and liabilities	12		

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

Funds SA
Financial Statements for the year ended 30 June 2017

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Retained Earnings	Total
	\$'000	\$'000
Balance at 30 June 2015	3,162	3,162
Total comprehensive result for 2015-16	1,189	1,189
Balance at 30 June 2016	4,351	4,351
Total comprehensive result for 2016-17	1,242	1,242
Balance at 30 June 2017	5,593	5,593
Changes in equity are attributable to the SA Government as owner		

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

Funds SA
Financial Statements for the year ended 30 June 2017

STATEMENT OF CASHFLOWS

For the year ended 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
Cash flows from Operating Activities			
Cash inflows			
Receipts from fees and charges		8,752	8,158
Interest received		61	61
Cash generated from operations		8,813	8,219
Cash outflows			
Employee benefit payments		(4,909)	(4,449)
Supplies and services		(1,755)	(1,821)
GST paid to the ATO		(670)	(324)
Cash used in operations		(7,334)	(6,594)
Net cash provided by operating activities	13	1,479	1,625
Cash flows from Investing Activities			
Cash inflows			
Proceeds from the sale of property, plant and equipment		-	8
Cash generated from investing activities		-	8
Cash outflows			
Purchase of property, plant and equipment		(21)	(1,317)
Cash used in investing activities		(21)	(1,317)
Net cash used in investing activities		(21)	(1,309)
Net increase in cash and cash equivalents		1,458	316
Cash and cash equivalents at the beginning of the financial year		4,100	3,784
Cash and cash equivalents at the end of the financial year		5,558	4,100

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

Funds SA

Financial Statements for the year ended 30 June 2017

SCHEDULE 1: ASSET SECTOR FUNDS UNDER MANAGEMENT

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

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

This schedule provides the following information:

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

Investment Valuation Sources

Discretely Managed Portfolios

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

Managed Funds

Pooled Funds / Unlisted Unit Trusts

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

Private Equity

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

Currency Hedge Overlay

The value of the currency hedge overlay, as at 30 June 2017, is supplied by Funds SA's custodian and represents either the payable or receivable associated with closing out the forward rate agreements in place, on that date, as part of Funds SA's currency management strategy.

Internally Managed Investments

Internally Managed Inflation Linked Securities

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

Funds SA
Financial Statements for the year ended 30 June 2017

SCHEDULE 1: ASSET SECTOR FUNDS UNDER MANAGEMENT (continued)

STATEMENT OF INCOME AND EXPENSES OF ASSETS UNDER MANAGEMENT

For the year ended 30 June 2017

Asset Sector	Rent, Interest & Dividends \$'000	Realised gains / (losses) ¹ \$'000	Unrealised gains / (losses) ² \$'000	Expenses \$'000	TOTAL \$'000
Australian Equities A	224,342	102,989	409,074	(21,410)	714,995
Australian Equities B	34,286	3,947	84,894	(3,239)	119,888
International Equities A	119,532	196,354	658,270	(29,652)	944,504
International Equities B	34,122	17,874	81,198	(4,378)	128,816
Property A	165,571	-	122,186	(15,766)	271,991
Property B	21,822	-	21,733	(2,156)	41,399
Diversified Strategies Growth A	178,624	20,788	116,947	(65,506)	250,853
Diversified Strategies Growth B	14,448	1,349	18,215	(7,070)	26,942
Diversified Strategies Income	67,540	36,477	186,837	(42,558)	248,296
Inflation Linked Securities A	36,594	1,202	(20,131)	(1,932)	15,733
Inflation Linked Securities B	48,016	17,026	(21,282)	(2,401)	41,359
Long Term Fixed Interest	43,250	6,131	(56,317)	(2,865)	(9,801)
Short Term Fixed Interest	22,796	(9,293)	(2,604)	(999)	9,900
Cash	26,996	-	-	(724)	26,272
Socially Responsible	3,198	-	5,033	(666)	7,565
Absolute Return (MAC)	1	-	3,979	(539)	3,441
Infrastructure (MAC)	389	-	13,933	(1,767)	12,555
Diversified Strategies Income (MAC)	18,199	10,131	16,586	(4,840)	40,076
Fixed Interest (MAC)	14,835	(4,486)	(6,378)	(246)	3,725
TOTAL	1,074,561	400,489	1,632,173	(208,714)	2,898,509

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

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

Funds SA
Financial Statements for the year ended 30 June 2017

SCHEDULE 1: ASSET SECTOR FUNDS UNDER MANAGEMENT (continued)

STATEMENT OF INCOME AND EXPENSES OF ASSETS UNDER MANAGEMENT

For the year ended 30 June 2016

Asset Sector	Rent, Interest & Dividends \$'000	Realised gains / (losses) ¹ \$'000	Unrealised gains / (losses) ² \$'000	Expenses \$'000	TOTAL \$'000
Australian Equities A	300,182	(36,601)	(229,385)	(14,038)	20,158
Australian Equities B	50,833	811	(42,458)	(2,145)	7,041
International Equities A	115,336	(124,393)	(75,301)	(27,078)	(111,436)
International Equities B	38,040	(10,432)	(37,800)	(3,611)	(13,803)
Property A	169,620	104,325	122,688	(13,572)	383,061
Property B	11,955	10,713	20,107	(1,408)	41,367
Diversified Strategies Growth A	172,603	(25,424)	108,839	(56,427)	199,591
Diversified Strategies Growth B	12,599	(1,255)	13,425	(5,047)	19,722
Diversified Strategies Income	70,997	(53,413)	147,074	(21,859)	142,799
Inflation Linked Securities A	38,714	(1,578)	(28,068)	(2,309)	6,759
Inflation Linked Securities B	41,307	(23,546)	6,764	(2,882)	21,643
Long Term Fixed Interest	38,599	446	70,677	(2,591)	107,131
Short Term Fixed Interest	24,924	(2,777)	1,252	(1,138)	22,261
Cash	33,735	-	-	(777)	32,958
Socially Responsible	3,409	-	(2,349)	(726)	334
Absolute Return (MAC)	3,147	-	(5,833)	(348)	(3,034)
Infrastructure (MAC)	9,642	-	12,604	(2,948)	19,298
Diversified Strategies Income (MAC)	20,972	(3,878)	27,264	(3,058)	41,300
Fixed Interest (MAC)	31,595	(3,011)	4,819	(530)	32,873
TOTAL	1,188,209	(170,013)	114,319	(162,492)	970,023

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

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

Funds SA

Financial Statements for the year ended 30 June 2017

STATEMENT OF NET ASSETS UNDER MANAGEMENT

As at 30 June 2017

Asset Sector	Discretely Managed Portfolios \$'000	Managed Funds \$'000	Internally Managed Investments \$'000	Currency Hedge Overlay \$'000	Other Assets \$'000	Liabilities \$'000	Total \$'000
Australian Equities A	5,459,925	-	-	-	1,195	(4,659)	5,456,461
Australian Equities B	281,686	650,217	-	-	283	(581)	931,605
International Equities A	4,702,773	790,213	-	35,506	1,090	(5,734)	5,523,848
International Equities B	379,196	436,452	-	5,164	1,662	(658)	821,816
Property A	28	3,036,122	-	-	7,482	(380)	3,043,252
Property B	-	502,016	-	-	6,355	(77)	508,294
Diversified Strategies Growth A	-	2,151,538	-	24,128	5,302	(608)	2,180,360
Diversified Strategies Growth B	-	261,558	-	2,713	8,278	(89)	272,460
Diversified Strategies Income	1,928,029	2,347,022	-	45,576	3,046	(13,208)	4,310,465
Inflation Linked Securities A	-	-	390,297	-	755	(206)	390,846
Inflation Linked Securities B	1,350,699	257,627	-	-	4,246	(518)	1,612,054
Long Term Fixed Interest	1,383,672	-	-	-	346	(852)	1,383,166
Short Term Fixed Interest	744,601	-	-	-	2,165	(109)	746,657
Cash	-	1,173,841	-	-	360	(81)	1,174,120
Socially Responsible	-	91,544	-	-	7	(29)	91,522
Absolute Return (MAC)	-	-	-	-	196	(195)	1
Infrastructure (MAC)	-	132,498	-	-	1	(16)	132,483
Diversified Strategies Income (MAC)	263,353	135,397	2,057	-	497	(2,982)	398,322
Fixed Interest (MAC)	268,215	-	-	-	63	(68)	268,210
TOTAL	16,762,177	11,966,045	392,354	113,087	43,329	(31,050)	29,245,942

Funds SA

Financial Statements for the year ended 30 June 2017

STATEMENT OF NET ASSETS UNDER MANAGEMENT

As at 30 June 2016

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

Funds SA

Financial Statements for the year ended 30 June 2017

SCHEDULE 1: ASSET SECTOR FUNDS UNDER MANAGEMENT (continued)

Fair Value Hierarchy

In accordance with the disclosure requirements under AASB 13 *Fair Value Measurement*, Funds SA has adopted the fair value hierarchy disclosures for the funds under management as at 30 June 2017. This requires the disclosure of investments using a fair value hierarchy that reflects the subjectivity of the inputs used in valuing the investments.

The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

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

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

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

The table below sets out Funds SA’s investments (by asset class) measured at fair value according to the fair value hierarchy at 30 June 2017.

Funds SA
Financial Statements for the year ended 30 June 2017

SCHEDULE 1: ASSET SECTOR FUNDS UNDER MANAGEMENT (continued)

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES					
As at 30 June 2017					
Financial assets and liabilities through profit or loss	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Other \$'000	Total \$'000
Australian Equities A	5,460,405	-	-	(3,944)	5,456,461
Australian Equities B	281,956	650,217	-	(568)	931,605
International Equities A	4,701,998	825,721	-	(3,871)	5,523,848
International Equities B	650,513	171,654	-	(351)	821,816
Property A	7,489	438,606	2,597,516	(359)	3,043,252
Property B	6,352	66,623	435,392	(73)	508,294
Diversified Strategies Growth A	5,275	179,862	1,995,805	(582)	2,180,360
Diversified Strategies Growth B	8,275	44,462	219,809	(86)	272,460
Diversified Strategies Income	77,881	4,245,742	-	(13,158)	4,310,465
Inflation Linked Securities*	639,895	973,330	390,297	(622)	2,002,900
Long Term Fixed Interest	1,291,483	92,518	-	(835)	1,383,166
Short Term Fixed Interest	458,398	288,345	-	(86)	746,657
Cash	1,174,185	-	-	(65)	1,174,120
Socially Responsible	6	91,544	-	(28)	91,522
Absolute Return (MAC)	196	-	-	(195)	1
Infrastructure (MAC)	-	-	132,499	(16)	132,483
Diversified Strategies Income (MAC)	22,078	379,187	-	(2,943)	398,322
Fixed Interest (MAC)	133,980	134,293	-	(63)	268,210
Total	14,920,365	8,582,104	5,771,318	(27,845)	29,245,942

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

There were no transfers of assets between Levels 1, 2 or 3 during the year ended 30 June 2017 and 2016.

Funds SA
Financial Statements for the year ended 30 June 2017

SCHEDULE 1: ASSET SECTOR FUNDS UNDER MANAGEMENT (continued)

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

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

Funds SA
Financial Statements for the year ended 30 June 2017

SCHEDULE 1: ASSET SECTOR FUNDS UNDER MANAGEMENT (continued)

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

	Opening Balance - 1 July 2016	Purchases	Disposals	Unrealised Gains / (Losses)	Closing Balance - 30 June 2017
Level 3 Financial Assets and Liabilities	\$'000	\$'000	\$'000	\$'000	\$'000
Property A	2,238,318	407,265	(302,789)	254,722	2,597,516
Property B	365,910	46,743	(22,459)	45,198	435,392
Diversified Strategies Growth A	1,818,584	336,600	(178,419)	19,040	1,995,805
Diversified Strategies Growth B	178,472	49,455	(15,337)	7,219	219,809
Inflation Linked Securities*	413,944	-	-	(23,647)	390,297
Infrastructure (MAC)	152,337	-	(32,064)	12,226	132,499
Total	5,167,565	840,063	(551,068)	314,758	5,771,318

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

Funds SA

Financial Statements for the year ended 30 June 2017

SCHEDULE 1: ASSET SECTOR FUNDS UNDER MANAGEMENT (continued)

Level 1

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

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

Level 2

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

Level 3

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

Other

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

Funds SA

Financial Statements for the year ended 30 June 2017

SCHEDULE 1: ASSET SECTOR FUNDS UNDER MANAGEMENT (continued)

Financial Instruments and Management of Portfolio Risk

Use of derivative financial instruments

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

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

The fair value of all derivative positions as at 30 June 2017 is incorporated within the Statement of Net Assets Under Management in Schedule 1.

Market Risk

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

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

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

Liquidity Risk

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

Funds SA manages liquidity risk as follows:

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

Funds SA
Financial Statements for the year ended 30 June 2017

SCHEDULE 1: ASSET SECTOR FUNDS UNDER MANAGEMENT (continued)

Financial Instruments and Management of Portfolio Risk (continued)

Currency Risk

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

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

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

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

Interest Rate Risk

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

Funds SA manages interest rate risk through:

- ensuring asset allocations for different investment options are consistent with the time horizon of each; and
- the use of specialist external investment managers to manage Funds SA's cash and fixed interest portfolios.

Funds SA

Financial Statements for the year ended 30 June 2017

NOTE INDEX

Objectives of Funds SA	Note 1
Significant accounting policies	Note 2
Expense Notes	
Employee benefits costs	Note 3
Supplies and services	Note 4
Depreciation and amortisation expense	Note 5
Asset Notes	
Property, plant and equipment	Note 6
Liabilities Notes	
Payables	Note 7
Employee benefits	Note 8
Other Notes	
Key management personnel	Note 9
Related Party Transactions	Note 10
Unrecognised contractual commitments	Note 11
Contingent assets and liabilities	Note 12
Cash flow reconciliation	Note 13
Transactions with SA Government	Note 14
Financial instruments	Note 15
Investments in Funds SA unit trusts	Note 16
Investor funds under management	Note 17

Funds SA

Financial Statements for the year ended 30 June 2017

Note 1 Objectives of Funds SA

a) Objectives of Funds SA

The Superannuation Funds Management Corporation of South Australia (Funds SA or the Corporation) was established on 1 July 1995 pursuant to the *Superannuation Funds Management Corporation of South Australia Act 1995* (Funds SA Act).

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

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

Under Section 7 of the Funds SA Act, the objective of the Corporation in performing its functions is to achieve the highest return possible on investment of the funds while having proper regard for -

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

b) Purpose of the financial statements

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

As at 30 June 2017, Funds SA managed the following funds:

Public Sector Superannuation Funds:

- South Australian Superannuation Scheme:
 - South Australian Superannuation Fund (Old Scheme Division)
 - South Australian Superannuation Fund (New Scheme Division)
 - South Australian Superannuation Scheme - Employer Contribution Accounts
- Police Superannuation Scheme:
 - Police Superannuation Fund (Old Scheme Division)
 - Police Superannuation Scheme - Employer Contribution Account
- Southern State Superannuation Scheme:
 - Southern State Superannuation Fund
- Super SA Retirement Investment Fund:
 - Super SA Flexible Rollover Product
 - Super SA Income Stream

Funds SA

Financial Statements for the year ended 30 June 2017

Note 1 Objectives of Funds SA (continued)

b) Purpose of the financial statements (continued)

- Parliamentary Superannuation Scheme
- Judges' Pension Scheme
- Governors' Pension Scheme

Eligible Superannuation Funds:

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

Nominated Funds of Approved Authorities:

- South Australian Government Financing Authority
- Adelaide Cemeteries Authority
- Motor Accident Commission – Compulsory Third Party Fund
- Lifetime Support Authority
- Health Services Charitable Gifts Board
- The University of Adelaide Endowment Fund

Other (Established by the Public Corporation (Southern Select Super Corporation) Regulations 2012)

- Super SA Select

c) Format and content of Funds SA's financial statements

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

The Statement of Financial Position does not incorporate the funds under management as assets of Funds SA. The Statement of Comprehensive Income does not incorporate the investment revenue and expenses. The financial statements of these funds are disclosed separately under Note 16 in accordance with section 26(2) of the Funds SA Act.

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

Funds SA

Financial Statements for the year ended 30 June 2017

Note 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 provision of the *Public Finance and Audit Act 1987*.

b) New and Revised Accounting Standards and Policies

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

AASB 15 Revenue from Contracts with Customers will apply for the first time to the 30 June 2018 financial statements. AASB 15 will replace AASB 118 and AASB 111. The revenue recognition principle in the new standard is 'when control of a good or service transfers to a customer', rather than 'where the risk and rewards of ownership reside'. Funds SA is currently assessing the impact of this standard to the financial statements, however it is not expected to have a material impact.

AASB 16 Leases will apply for the first time to the 30 June 2020 financial statements. This standard will require Funds SA to recognise all leased items in the statement of financial position as assets to represent the value of what Funds SA lease, and liabilities to represent expected future lease payments. Depending on the lease arrangements Funds SA have entered into at the time, this could see assets and liabilities of up to \$1.96m being recognised and, over the remaining lease term, amortised.

c) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying Funds SA's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with accounting policy statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
 - a) 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 Note 14);
 - b) expenses incurred as a result of engaging consultants (Refer Note 4);

Funds SA

Financial Statements for the year ended 30 June 2017

Note 2 Significant Accounting Policies (continued)

- 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 (Refer Note 3).

c) Basis of preparation (continued)

Funds SA's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accruals basis and are in accordance with the historical cost convention unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis..

The Statement of Cashflows has been prepared on a cash basis.

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

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

d) Reporting entity

The financial report covers Funds SA as an individual reporting entity. Funds SA is a statutory authority of the State of South Australia, established pursuant to *Superannuation Funds Management Corporation of South Australia Act 1995*.

e) Rounding

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

f) Comparative information

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

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

g) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to Funds SA will occur and can be reliably measured. Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Revenues from fees and charges are measured at fair value of consideration received or receivable. The revenue is derived from the provision of services to Funds SA's investors on a cost recovery basis. This revenue is recognised upon delivery of the service to the investors.

Funds SA

Financial Statements for the year ended 30 June 2017

Note 2 Significant Accounting Policies (continued)

h) Expenses

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

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

The following are specific recognition criteria:

Employee benefits expenses

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

Superannuation

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

Supplies and services

Supplies and services generally represent day-to-day running costs incurred in the normal operations of Funds SA. These items are recognised as an expense in the reporting period in which they are incurred.

Depreciation and amortisation

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

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

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

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

Funds SA

Financial Statements for the year ended 30 June 2017

Note 2 Summary of Significant Accounting Policies (continued)

h) Expenses (continued)

Class of Assets	Depreciation Method	Useful Life (Years)
Leasehold Improvements	Straight Line	Term of Lease
Computer and Office Equipment:		
▪ Computers, hardware and software	Straight Line	3 years
▪ Office furniture	Straight Line	10 years

i) Current and non-current classification

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

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

j) Assets

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

Cash and cash equivalents

Cash and cash equivalents recorded in the Statement of Financial Position includes cash on hand and at bank.

Cash is measured at nominal value.

Receivables

Receivables include amounts receivable from Funds SA's investors, GST input tax credits and other accruals. Receivables arise in the normal course of providing services to the investors.

Non-current asset acquisition and recognition

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

Funds SA

Financial Statements for the year ended 30 June 2017

Note 2 Summary of Significant Accounting Policies (continued)

k) Liabilities

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

Where a liability line item combines amounts expected to be settled within twelve months and more than twelve months, Funds SA has separately disclosed the amounts expected to be settled after more than twelve months.

Payables

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

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

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

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

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

Leases

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

The aggregate benefits of lease incentives received by Funds SA in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

Employee benefits

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value using the long term Commonwealth Government bond rate of 2.50% as the discount rate. Short-term employee benefits are measured at nominal amounts.

Funds SA

Financial Statements for the year ended 30 June 2017

Note 2 Summary of Significant Accounting Policies (continued)

k) Liabilities (continued)

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

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

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

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

Long service leave

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

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

This calculation is consistent with Funds SA's experience of employee retention and leave taken. Based on a survey of staff, the portion of the long service leave provision expected to be taken within 12 months of the reporting date is classified as current. The remaining portion of the long service leave provision is classified as non-current.

l) Unrecognised contractual commitments and contingent assets and liabilities

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

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

m) Insurance

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

Funds SA

Financial Statements for the year ended 30 June 2017

Note 2 Summary of Significant Accounting Policies (continued)

n) Taxation

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

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

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

o) Valuation basis of investor funds under management

Note 17 provides financial statements in respect of each investor fund under the management of Funds SA for the 2016-17 financial year.

The valuation of the investments of each investor have been valued at fair value in accordance with *AASB 13 Fair Value Measurement*.

Funds SA
Financial Statements for the year ended 30 June 2017

Note 3 Employee benefits costs

	2017	2016
	\$'000	\$'000
Salaries and wages	4,069	3,617
Board fees	295	279
Employment on costs	622	677
Total employee benefits costs	4,986	4,573

Remuneration of employees

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

\$147 001 to \$157 000	-	1
\$157 001 to \$167 000	2	2
\$167 001 to \$177 000	1	1
\$207 001 to \$217 000	1	1
\$257 001 to \$267 000	1	1
\$267 001 to \$277 000	1	1
\$317 001 to \$327 000	1	-
\$417 001 to \$427 000	-	1
\$467 001 to \$477 000	1	-
Total number of employees	8	8

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$2.023 million (\$1.828 million for 2015-16).

Funds SA
Financial Statements for the year ended 30 June 2017

Note 4 Supplies and services

	2017	2016
	\$'000	\$'000
Computing and communication	227	216
Human resource expenses	228	136
Board expenses	38	81
Staff development	110	91
Subscriptions and publications	92	100
Internal audit fees	129	107
External audit fees ⁽¹⁾	94	93
Travel and accommodation	217	178
Legal and advisory expenses	114	58
Office rent	291	281
Office supplies and printing	64	70
Website expenses	10	7
Investor relationship expenses	11	6
Other	45	61
Total supplies and services	1,670	1,485

⁽¹⁾ Audit fees paid / payable to the Auditor-General's Department relating to work performed under the PFAA were \$94,000 (\$93,000). No other services were provided by the Auditor-General's Department.

The number and dollar amount of Consultancies paid/payable (included in supplies & services expense) that fell within the following bands:				
	No.	2017		2016
		\$'000	No.	\$'000
Below \$10,000	5	25	2	9
Above \$10,000	7	251	4	128
Total paid /payable to the consultants engaged	12	276	6	137

Funds SA
Financial Statements for the year ended 30 June 2017

Note 5 Depreciation and amortisation expense

	2017	2016
	\$'000	\$'000
Depreciation		
Computer and office equipment	94	113
Amortisation		
Leasehold improvements	100	82
Total depreciation and amortisation	194	195

Note 6 Property, plant and equipment

	2017	2016
	\$'000	\$'000
Leasehold Improvements		
Leasehold improvements at fair value	1,000	997
Accumulated amortisation	(182)	(82)
Total leasehold improvements	818	915
Computer and office equipment		
Computer and office equipment at fair value	674	657
Accumulated depreciation	(387)	(294)
Total Computer and Office Equipment	287	363
Total Property Plant and Equipment	1,105	1,278

Funds SA
Financial Statements for the year ended 30 June 2017

Note 6 Property, Plant and Equipment (continued)

RECONCILIATION OF NON-CURRENT ASSETS

The following table shows the movement of Non-Current Assets
during the year ended 30 June 2017

	Leasehold improvements \$'000	Computer and office equipment \$'000	Non-Current Assets Total \$'000
Carrying amount at the beginning of the financial year	915	363	1,278
Additions	3	18	21
Disposals	-	-	-
Depreciation and amortisation	(100)	(94)	(194)
Carrying amount at the end of the financial year	818	287	1,105

RECONCILIATION OF NON-CURRENT ASSETS

The following table shows the movement of Non-Current Assets
during the year ended 30 June 2016

	Leasehold Improvements \$'000	Computer and Office Equipment \$'000	Non-Current Assets Total \$'000
Carrying amount at the beginning of the financial year	64	116	180
Additions	936	381	1,317
Disposals	(3)	(21)	(24)
Depreciation and amortisation	(82)	(113)	(195)
Carrying amount at the end of the financial year	915	363	1,278

Fair Value Hierarchy

Funds SA categorises non-financial assets measured at fair value into a hierarchy based on the level of inputs used in their valuation at 30 June 2017.

During the year 2017 and 2016, Funds SA had no valuations categorised into Level 1 or Level 2 and there were no transfers of assets between any of the fair value hierarchy levels.

Valuation techniques used to derive Level 3 fair values are disclosed in Schedule 1. Although unobservable inputs were used in determining fair value, and are subjective, Funds SA considers that the overall valuation would not be materially affected by changes to existing assumptions. There were no changes in valuation techniques during 2017. The reconciliation of fair value measurements using significant unobservable inputs (Level 3) is represented by the reconciliation of non-current assets above.

Funds SA
Financial Statements for the year ended 30 June 2017

Note 7 Payables

	2017	2016
	\$'000	\$'000
Current		
Creditors	63	105
GST Payable	230	258
Accrued expenses	163	114
Employment on costs	54	47
Total current payables	510	524
Non Current		
Employment on costs	80	80
Total non current payables	80	80
Total payables	590	604

Note 8 Employee Benefits

Current		
Accrued salaries and wages	99	72
Annual leave	241	231
Long service leave*	139	58
Skills and experience retention leave	26	39
Total current employee benefits	505	400

Funds SA
Financial Statements for the year ended 30 June 2017

Note 8 Employee Benefits (continued)

	2017	2016
	\$'000	\$'000
Non-Current		
Long service leave*	882	890
Total non-current employee benefits	882	890
Total employee benefits	1,387	1,290

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

AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has 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 to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$41,500 and employee benefits expense of \$45,200. 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%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

Funds SA

Financial Statements for the year ended 30 June 2017

Note 9 Key Management Personnel

The key management personnel are the Minister, governing board members and senior management (including the Chief Executive) who have responsibility for the strategic direction and management of Funds SA.

(a) Board members

The following persons held the position of governing board member throughout the financial year.

Directors in office as at 30 June 2017:

Director	Board	Sub-Committees ⁽¹⁾	
		Audit and Risk Committee	Human Resources Committee
Hon. Kevin Foley	Chairman	✓	Chairman
Jan McMahon	✓	-	✓
Kevin Crawshaw	✓	✓	-
Kathryn Presser	✓	Chair	-
Robert Patterson	✓	-	✓
Jane Jeffreys	✓	-	✓
Paul Laband	✓	✓	-

(1) Sub-Committees

Funds SA has established 2 sub-committees where members receive remuneration for their membership.

(b) Other key management personnel

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

Jo Townsend	Chief Executive Officer
John Piteo	Chief Operating Officer
Richard Friend	Chief Investment Officer

Funds SA
Financial Statements for the year ended 30 June 2017

Note 9 Key Management Personnel (continued)

(c) Key management personnel compensation

	2017	2016
	\$'000	\$'000
Salaries and other short-term employee benefits	1,425	1,049
Long-term employee benefits	16	69
Total	1,441	1,118

(d) Remuneration of governing board members

	Number of board members	
	2017	2016
The number of governing board members whose remuneration received or receivable falls within the following bands:		
\$0 - \$9,999	-	2
\$20,000 - \$29,999	-	1
\$30,000 - \$39,999	-	3
\$40,000 - \$49,999	5	3
\$50,000 - \$59,999	1	-
\$70,000 - \$79,999	-	1
\$90,000 - \$99,999	1	-
Total number of governing board members	7	10

Board members remuneration includes fees, superannuation and other benefits. Directors' fees include fees paid with respect to directors' representation on the Funds SA Board and Board sub-committees. Directors' fees for the 2016-17 year were set by the Governor of South Australia. The aggregate remuneration of directors was \$367,000 (2015-16: \$344,000). Note, these amounts are also disclosed in note (c) above.

(e) Transactions with Key Management Personnel and other related parties

During the 2016-17 year there were no transactions with Key Management Personnel and other related parties.

Funds SA

Financial Statements for the year ended 30 June 2017

Note 10 Related Party Transactions

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

Significant transactions with government related entities

Funds SA's significant transactions with government related entities are disclosed in note 17. This relates to application and redemption transactions with Funds SA's clients.

Collectively but not individually significant transactions with government related entities

Quantitative information about transactions and balances between Funds SA and other SA Government entities are disclosed in note 14.

Note 11 Unrecognised Contractual Commitments

Operating Lease Commitments

Funds SA's operating lease is for office accommodation. Rent is payable in arrears.

	2017	2016
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases, are payable as follows:		
Within one year	292	277
Later than one year but not longer than five years	1,323	1,260
Later than five years	1,276	1,631
Total non-cancellable operating lease commitments	2,891	3,168

Note 12 Contingent assets and liabilities

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

Funds SA
Financial Statements for the year ended 30 June 2017

Note 13 Cash flow reconciliation

	2017	2016
	\$'000	\$'000
Reconciliation of Net Cash provided by Operating Activities to Surplus:		
Net surplus	1,242	1,189
Add non-cash items		
Depreciation and amortisation expense	194	195
Loss on Sale of Assets	-	16
Changes in Assets / Liabilities		
(Increase) in receivables	(40)	(59)
(Decrease) / increase in payables	(14)	100
Increase in employee benefits	97	184
Net cash provided by operating activities	1,479	1,625

Funds SA

Financial Statements for the year ended 30 June 2017

Note 14 Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

	SA Government		Non- SA Government		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Income						
Revenues from fees and charges	8,031	7,396	-	-	8,031	7,396
Expenses						
Employee benefits cost	195	175	4,791	4,398	4,986	4,573
Financial Assets						
Receivables	832	796	75	71	907	867

Funds SA

Financial Statements for the year ended 30 June 2017

Note 15 Financial Instruments

(a) Interest Rate Risk

Interest rate and credit risk

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

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

Sensitivity disclosure analysis

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

(b) Market risk exposure

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

Funds SA manages this risk in two ways:

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

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

Funds SA
Financial Statements for the year ended 30 June 2017

Note 15 Financial Instruments (continued)

(c) Maturity analysis of financial assets and liabilities

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

	Contractual maturities 30 June 2017		Contractual maturities 30 June 2016	
	Carrying amount (\$'000)	< 1 year (\$'000)	Carrying amount (\$'000)	< 1 year (\$'000)
Financial assets				
Cash	5,558	5,558	4,100	4,100
Receivables	832	832	796	796
Total financial assets	6,390	6,390	4,896	4,896
Financial liabilities				
Payables	98	98	90	90
Total financial liabilities	98	98	90	90

Funds SA

Financial Statements for the year ended 30 June 2017

Note 16 Investments in Funds SA Unit Trusts

On 20 June 2008 Funds SA established 15 unit trusts to manage the investments of Funds SA's tax-paying investors. Since that time, an additional three unit trusts have been established. A consolidated list of Funds SA's unit trusts is provided below.

Trust	Date established	Settled Sum
High Growth B Unit Trust	20 June 2008	\$10
Growth B Unit Trust	20 June 2008	\$10
Balanced B Unit Trust	20 June 2008	\$10
Moderate B Unit Trust	20 June 2008	\$10
Conservative B Unit Trust	20 June 2008	\$10
Capital Defensive B Unit Trust	20 June 2008	\$10
Cash Option B Unit Trust	20 June 2008	\$10
Australian Equities B Unit Trust	20 June 2008	\$10
International Equities B Unit Trust	20 June 2008	\$10
Property B Unit Trust	20 June 2008	\$10
Diversified Strategies Growth B Unit Trust	20 June 2008	\$10
Diversified Strategies Income A&B Unit Trust	20 June 2008	\$10
Fixed Interest A&B Unit Trust	20 June 2008	\$10
Inflation Linked Securities A&B Unit Trust	20 June 2008	\$10
Cash A&B Unit Trust	20 June 2008	\$10
Socially Responsible Investment Unit Trust	12 February 2010	\$10
Short Term Fixed Interest A&B Unit Trust	8 June 2010	\$10
Funds SA Property Holdings Trust	22 March 2016	\$10
	Total	\$180

Funds SA

Financial Statements for the year ended 30 June 2017

Note 17 Investor Funds Under Management

Operation of Investment Portfolio

Funds SA operates a multi-layered unitisation structure to facilitate the administration of different investment strategies applying to the various investor funds. For the year ending 30 June 2017, Funds SA managed a number of different investment options distinguished by differing strategic asset allocations, namely:

- | | |
|---------------------|--|
| ▪ High Growth | ▪ Cash |
| ▪ Growth | ▪ Socially Responsible |
| ▪ Balanced | ▪ Motor Accident Commission ⁽¹⁾ |
| ▪ Moderate | ▪ Lifetime Support Authority Strategy ⁽¹⁾ |
| ▪ Conservative | ▪ Defined Benefit Strategy |
| ▪ Capital Defensive | |

- ⁽¹⁾ These investment options are available and customised strategies available to the Motor Accident Commission and Lifetime Support Authority only.

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

Under section 26(2) of the Funds Act, Funds SA is required to “prepare separate financial statements in a form approved by the Minister in respect of each fund or authority in respect of each financial year”. In compliance with the Funds Act, the format of these financial statements has been approved by the Minister.

All investor holdings presented in the financial statements in this note are valued in accordance with the valuation methodology applicable to the relevant investor under Australian Accounting Standards. For the 2017 year all holdings are valued at fair value.

Comparative information for notes 17 (a) – (l), (r) and (s) has been amended as these holdings relate to Superannuation entities that previously valued assets at net market value in accordance in *AAS 25: Financial Reporting by Superannuation Plans*. AAS 25 has been replaced with *AASB 1056: Superannuation Entities* for reporting periods beginning on or after 1 July 2016. This standard requires all assets to be valued at fair value. Comparative information has been amended to adhere to these requirements.

These investor fund financial statements are explained and disclosed below:

- Each investor fund’s allocation of total net investment income is disclosed in the Statement of Receipts and Payments. The amounts disclosed in the payments and receipts include investor placements and redemptions in investment options inclusive of switches between investment options.
- The interest which each investor fund holds in the unitised investment portfolio is disclosed in the Statement of Funds Under Management - by Investment Option.
- The indirect interest which each investor fund holds in the asset sectors is disclosed in the Statement of Funds Under Management - by Asset Sector.
- Australian Equities A, International Equities A, Property A, Diversified Strategies Growth A and Inflation Linked Securities A asset classes are available to untaxed investors only, whereas Australian Equities B, International Equities B, Property B and Diversified Strategies Growth B asset classes are available to taxed investors only. All other asset classes, with the exception of Fixed Interest (MAC), Absolute Return (MAC), Infrastructure (MAC) and Diversified Strategies Income (MAC) (which are available to the Motor Accident Commission only), are available to both untaxed and taxed investors.

Funds SA

Financial Statements for the year ended 30 June 2017

Note 17 Investor Funds Under Management (continued)

Table of Contents – Investor Funds Under Management	Note
South Australian Superannuation Scheme – Employer Contribution Accounts	17(a)
South Australian Superannuation Fund – Old Scheme Division	17(b)
South Australian Superannuation Fund – New Scheme Division	17(c)
Southern State Superannuation Fund	17(d)
Super SA Retirement Investment Fund – Super SA Flexible Rollover Product	17 (e)
Super SA Retirement Investment Fund – Super SA Income Stream	17(f)
Parliamentary Superannuation Scheme	17(g)
Judges’ Pension Scheme	17(h)
Governors’ Pension Scheme	17(i)
South Australian Ambulance Service Superannuation Scheme	17(j)
Police Superannuation Scheme – Employer Contribution Account	17(k)
Police Superannuation Fund – Old Scheme Division	17(l)
South Australian Government Financing Authority (SAICORP – Insurance Fund 1)	17(m)
South Australian Government Financing Authority (SAICORP – Insurance Fund 2)	17(n)
South Australian Government Financing Authority (SAICORP – Insurance Fund 3)	17(o)
Adelaide Cemeteries Authority	17(p)
Motor Accident Commission Compulsory Third Party Fund	17(q)
South Australian Metropolitan Fire Service Superannuation Scheme	17(r)
Super SA Select	17(s)
Lifetime Support Authority	17(t)
Health Services Charitable Gifts Board – Pool Investment	17(u)
Health Services Charitable Gifts Board – South Australian Health and Medical Research Institute Charitable Trust	17(v)
Health Services Charitable Gifts Board – Ray and Shirl Norman Cancer Research Trust	17(w)
Health Services Charitable Gifts Board – DE Brown Trust	17 (x)
The University of Adelaide Endowment Fund	17(y)

Funds SA
Financial Statements for the year ended 30 June 2017

17(a) South Australian Superannuation Scheme – Employer Contribution Accounts

Statement of Receipts and Payments

	2017 \$'000	2016 \$'000
Funds Under Management at 1 July	2,734,331	2,870,583
Add: Receipts	3,023,148	363,670
Net Investment Income	321,807	100,278
	<u>3,344,955</u>	<u>463,948</u>
Less: Payments	<u>(3,230,858)</u>	<u>(600,200)</u>
Funds Under Management at 30 June	<u>2,848,428</u>	<u>2,734,331</u>

Statement of Funds Under Management - by Investment Option

Investment Option

Growth A	-	2,734,331
Defined Benefit Strategy	<u>2,848,428</u>	<u>-</u>
Funds Under Management at 30 June	<u>2,848,428</u>	<u>2,734,331</u>

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	741,240	656,222
International Equities A	749,871	660,546
Property A	432,406	391,713
Diversified Strategies Growth A	334,367	301,856
Inflation Linked Securities A	121,980	156,699
Long Term Fixed Interest	-	75,260
Diversified Strategies Income	433,012	427,458
Cash	<u>35,552</u>	<u>64,577</u>
Funds Under Management at 30 June	<u>2,848,428</u>	<u>2,734,331</u>

Funds SA
Financial Statements for the year ended 30 June 2017

17(b) South Australian Superannuation Fund – Old Scheme Division

Statement of Receipts and Payments

	2017 \$'000	2016 \$'000
Funds Under Management at 1 July	1,410,398	1,445,070
Add: Receipts	1,459,080	1,840
Net Investment Income	171,519	51,938
	<u>1,630,599</u>	<u>53,778</u>
Less: Payments	<u>(1,547,330)</u>	<u>(88,450)</u>
Funds Under Management at 30 June	<u>1,493,667</u>	<u>1,410,398</u>

Statement of Funds Under Management - by Investment Option

Investment Option

Growth A	-	1,410,398
Defined Benefit Strategy	<u>1,493,667</u>	<u>-</u>
Funds Under Management at 30 June	<u>1,493,667</u>	<u>1,410,398</u>

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	388,694	338,811
International Equities A	393,219	341,043
Property A	226,747	202,244
Diversified Strategies Growth A	175,336	154,499
Inflation Linked Securities A	63,964	80,904
Long Term Fixed Interest	-	38,857
Diversified Strategies Income	227,064	220,699
Cash	<u>18,643</u>	<u>33,341</u>
Funds Under Management at 30 June	<u>1,493,667</u>	<u>1,410,398</u>

Funds SA
Financial Statements for the year ended 30 June 2017

17(c) South Australian Superannuation Fund – New Scheme Division

Statement of Receipts and Payments

	2017	2016
	\$'000	\$'000
Funds Under Management at 1 July	638,264	670,557
Add: Receipts	25,636	34,196
Net Investment Income	71,418	22,672
	<u>97,054</u>	<u>56,828</u>
Less: Payments	<u>(86,128)</u>	<u>(89,161)</u>
Funds Under Management at 30 June	649,190	638,264

Statement of Funds Under Management - by Investment Option

Investment Option

High Growth A	28,328	27,101
Growth A	508,914	497,858
Balanced A	49,368	42,089
Moderate A	18,621	15,394
Conservative A	23,179	25,526
Capital Defensive A	10,171	15,248
Cash A	8,540	11,905
Socially Responsible	<u>2,069</u>	<u>3,143</u>
Funds Under Management at 30 June	649,190	638,264

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	150,037	143,291
International Equities A	151,945	144,138
Property A	84,943	85,919
Diversified Strategies Growth A	60,912	62,126
Inflation Linked Securities A	39,316	40,305
Long Term Fixed Interest	24,997	19,578
Short Term Fixed Interest	9,544	10,833
Diversified Strategies Income	99,166	97,235
Cash	26,261	31,696
Socially Responsible	<u>2,069</u>	<u>3,143</u>
Funds Under Management at 30 June	649,190	638,264

Funds SA
Financial Statements for the year ended 30 June 2017

17(d) Southern State Superannuation Fund

Statement of Receipts and Payments

	2017 \$'000	2016 \$'000
Funds Under Management at 1 July	13,523,567	12,887,533
Add: Receipts	621,913	600,219
Net Investment Income	1,494,060	489,443
	<u>2,115,973</u>	<u>1,089,662</u>
Less: Payments	<u>(233,352)</u>	<u>(453,628)</u>
Funds Under Management at 30 June	15,406,188	13,523,567

Statement of Funds Under Management - by Investment Option

Investment Option

High Growth A	1,089,735	945,603
Growth A	520,001	425,985
Balanced A	12,791,849	11,219,066
Moderate A	245,196	176,333
Conservative A	327,553	306,207
Capital Defensive A	171,090	167,394
Cash A	213,867	227,951
Socially Responsible	<u>46,897</u>	<u>55,028</u>
Funds Under Management at 30 June	15,406,188	13,523,567

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	3,307,080	2,849,890
International Equities A	3,347,791	2,865,363
Property A	1,819,833	1,654,139
Diversified Strategies Growth A	1,251,884	1,156,677
Inflation Linked Securities A	1,215,647	1,097,227
Long Term Fixed Interest	1,026,539	846,615
Short Term Fixed Interest	449,277	374,568
Diversified Strategies Income	2,335,913	2,038,617
Cash	605,327	585,443
Socially Responsible	<u>46,897</u>	<u>55,028</u>
Funds Under Management at 30 June	15,406,188	13,523,567

Funds SA
Financial Statements for the year ended 30 June 2017

17(e) Super SA Retirement Investment Fund – Super SA Flexible Rollover Product

Statement of Receipts and Payments

	2017	2016
	\$'000	\$'000
Funds Under Management at 1 July	787,706	707,264
Add: Receipts	270,925	214,457
Net Investment Income	71,376	24,357
	<u>342,301</u>	<u>238,814</u>
Less: Payments	<u>(134,315)</u>	<u>(158,372)</u>
Funds Under Management at 30 June	995,692	787,706

Statement of Funds Under Management - by Investment Option

Investment Option		
High Growth B	48,970	36,433
Growth B	91,743	64,250
Balanced B	468,079	346,334
Moderate B	125,766	97,467
Conservative B	105,630	93,498
Capital Defensive B	78,403	69,514
Cash B	64,203	64,986
Socially Responsible	12,898	15,224
Funds Under Management at 30 June	995,692	787,706

Statement of Funds Under Management – by Asset Sector

Asset Sector		
Australian Equities B	188,066	138,522
International Equities B	165,904	118,057
Property B	103,140	79,095
Diversified Strategies Growth B	54,562	39,024
Inflation Linked Securities B	86,070	71,112
Long Term Fixed Interest	59,604	51,343
Short Term Fixed Interest	64,610	50,366
Diversified Strategies Income	149,252	122,519
Cash	111,586	102,444
Socially Responsible	12,898	15,224
Funds Under Management at 30 June	995,692	787,706

Funds SA
Financial Statements for the year ended 30 June 2017

17(f) Super SA Retirement Investment Fund – Super SA Income Stream

Statement of Receipts and Payments

	2017 \$'000	2016 \$'000
Funds Under Management at 1 July	2,399,387	1,951,169
Add: Receipts	412,776	540,663
Net Investment Income	224,984	74,368
	<u>637,760</u>	<u>615,031</u>
Less: Payments	(275,006)	(166,813)
Funds Under Management at 30 June	2,762,141	2,399,387

Statement of Funds Under Management - by Investment Option

Investment Option		
High Growth B	91,446	83,812
Growth B	181,353	144,214
Balanced B	1,353,108	1,089,677
Moderate B	438,230	357,043
Conservative B	406,873	388,879
Capital Defensive B	153,262	162,720
Cash B	109,196	141,493
Socially Responsible	28,673	31,549
Funds Under Management at 30 June	2,762,141	2,399,387

Statement of Funds Under Management – by Asset Sector

Asset Sector		
Australian Equities B	526,256	427,541
International Equities B	466,012	365,078
Property B	290,604	245,725
Diversified Strategies Growth B	148,270	116,561
Inflation Linked Securities B	257,828	233,022
Long Term Fixed Interest	177,001	166,078
Short Term Fixed Interest	188,237	161,660
Diversified Strategies Income	430,521	388,852
Cash	248,739	263,321
Socially Responsible	28,673	31,549
Funds Under Management at 30 June	2,762,141	2,399,387

Funds SA
Financial Statements for the year ended 30 June 2017

17(g) Parliamentary Superannuation Scheme

Statement of Receipts and Payments

	2017 \$'000	2016 \$'000
Funds Under Management at 1 July	235,337	231,556
Add: Receipts	228,666	5,570
Net Investment Income	28,820	8,567
	<u>257,486</u>	<u>14,137</u>
Less: Payments	<u>(236,061)</u>	<u>(10,356)</u>
Funds Under Management at 30 June	256,762	235,337

Statement of Funds Under Management - by Investment Option

Investment Option

High Growth A	3,599	3,009
Growth A	2,961	217,515
Balanced A	14,817	13,152
Moderate A	557	460
Capital Defensive A	-	361
Cash A	405	-
Socially Responsible	985	840
Defined Benefit Strategy	233,438	-
Funds Under Management at 30 June	256,762	235,337

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	65,865	56,037
International Equities A	66,637	56,403
Property A	38,242	33,372
Diversified Strategies Growth A	29,355	25,351
Inflation Linked Securities A	11,537	13,732
Long Term Fixed Interest	1,289	6,985
Short Term Fixed Interest	533	441
Diversified Strategies Income	38,839	36,572
Cash	3,480	5,604
Socially Responsible	985	840
Funds Under Management at 30 June	256,762	235,337

Funds SA
Financial Statements for the year ended 30 June 2017

17(h) Judges' Pension Scheme

Statement of Receipts and Payments

	2017 \$'000	2016 \$'000
Funds Under Management at 1 July	229,308	226,378
Add: Receipts	244,626	4,480
Net Investment Income	28,291	8,390
	<u>272,917</u>	<u>12,871</u>
Less: Payments	<u>(251,496)</u>	<u>(9,940)</u>
Funds Under Management at 30 June	250,729	229,308

Statement of Funds Under Management - by Investment Option

Investment Option

Growth A	-	229,308
Defined Benefit Strategy	250,729	-
Funds Under Management at 30 June	250,729	229,308

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	65,247	55,085
International Equities A	66,007	55,448
Property A	38,062	32,882
Diversified Strategies Growth A	29,432	25,119
Inflation Linked Securities A	10,737	13,154
Long Term Fixed Interest	-	6,317
Diversified Strategies Income	38,115	35,882
Cash	3,129	5,421
Funds Under Management at 30 June	250,729	229,308

Funds SA
Financial Statements for the year ended 30 June 2017

17(i) Governors' Pension Scheme

Statement of Receipts and Payments

	2017 \$'000	2016 \$'000
Funds Under Management at 1 July	705	943
Add: Receipts	621	10
Net Investment Income	72	27
	<u>693</u>	<u>37</u>
Less: Payments	<u>(886)</u>	<u>(275)</u>
Funds Under Management at 30 June	512	705

Statement of Funds Under Management - by Investment Option

Investment Option

Growth A	-	705
Defined Benefit Strategy	512	-
	<u>512</u>	<u>-</u>
Funds Under Management at 30 June	512	705

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	133	169
International Equities A	135	171
Property A	78	101
Diversified Strategies Growth A	60	77
Inflation Linked Securities A	22	40
Long Term Fixed Interest	-	20
Diversified Strategies Income	78	110
Cash	6	17
	<u>512</u>	<u>705</u>
Funds Under Management at 30 June	512	705

Funds SA
Financial Statements for the year ended 30 June 2017

17(j) South Australian Ambulance Service Superannuation Scheme

Statement of Receipts and Payments

	2017 \$'000	2016 \$'000
Funds Under Management at 1 July	229,696	218,889
Add: Receipts	10,906	9,860
Net Investment Income	24,062	7,997
	<u>34,968</u>	<u>17,857</u>
Less: Payments	<u>(11,840)</u>	<u>(7,050)</u>
Funds Under Management at 30 June	252,824	229,696

Statement of Funds Under Management - by Investment Option

Investment Option

Balanced B	252,824	229,696
Funds Under Management at 30 June	252,824	229,696

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities B	58,129	52,064
International Equities B	50,739	44,204
Property B	30,263	27,838
Diversified Strategies Growth B	19,075	16,768
Inflation Linked Securities B	21,188	20,316
Long Term Fixed Interest	19,607	20,004
Short Term Fixed Interest	7,408	5,143
Diversified Strategies Income	40,571	39,223
Cash	5,844	4,136
Funds Under Management at 30 June	252,824	229,696

Funds SA
Financial Statements for the year ended 30 June 2017

17(k) Police Superannuation Scheme – Employer Contribution Account

Statement of Receipts and Payments

	2017 \$'000	2016 \$'000
Funds Under Management at 1 July	997,768	940,207
Add: Receipts	1,104,827	64,009
Net Investment Income	124,817	35,892
	<u>1,229,644</u>	<u>99,901</u>
Less: Payments	<u>(1,080,272)</u>	<u>(42,340)</u>
Funds Under Management at 30 June	<u>1,147,140</u>	<u>997,768</u>

Statement of Funds Under Management - by Investment Option

Investment Option

Growth A	-	997,768
Defined Benefit	1,147,140	-
Funds Under Management at 30 June	<u>1,147,140</u>	<u>997,768</u>

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	298,518	239,687
International Equities A	301,993	241,267
Property A	174,142	143,075
Diversified Strategies Growth A	134,659	109,298
Inflation Linked Securities A	49,125	57,235
Long Term Fixed Interest	-	27,489
Diversified Strategies Income	174,385	156,130
Cash	14,318	23,587
Funds Under Management at 30 June	<u>1,147,140</u>	<u>997,768</u>

Funds SA
Financial Statements for the year ended 30 June 2017

17(l) Police Superannuation Fund – Old Scheme Division

Statement of Receipts and Payments

	2017 \$'000	2016 \$'000
Funds Under Management at 1 July	484,683	479,802
Add: Receipts	507,373	209
Net Investment Income	59,811	17,825
	<u>567,184</u>	<u>18,034</u>
Less: Payments	<u>(521,973)</u>	<u>(13,153)</u>
Funds Under Management at 30 June	<u>529,894</u>	<u>484,683</u>

Statement of Funds Under Management - by Investment Option

Investment Option

Growth A	-	484,683
Defined Benefit Strategy	529,894	-
Funds Under Management at 30 June	<u>529,894</u>	<u>484,683</u>

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	137,893	116,432
International Equities A	139,499	117,200
Property A	80,441	69,501
Diversified Strategies Growth A	62,202	53,093
Inflation Linked Securities A	22,692	27,803
Long Term Fixed Interest	-	13,353
Diversified Strategies Income	80,553	75,843
Cash	6,614	11,458
Funds Under Management at 30 June	<u>529,894</u>	<u>484,683</u>

Funds SA
Financial Statements for the year ended 30 June 2017

17(m) South Australian Government Financing Authority (SAICORP – Insurance Fund 1)

Statement of Receipts and Payments

	2017 \$'000	2016 \$'000
Funds Under Management at 1 July	496,130	475,937
Add: Receipts	20,000	30,000
Net Investment Income	62,011	17,693
	<u>82,011</u>	<u>47,693</u>
Less: Payments	<u>(40,000)</u>	<u>(27,500)</u>
Funds Under Management at 30 June	538,141	496,130

Statement of Funds Under Management - by Investment Option

Investment Option

Growth A	538,141	496,130
Funds Under Management at 30 June	538,141	496,130

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	131,265	119,182
International Equities A	132,953	119,968
Property A	74,218	71,142
Diversified Strategies Growth A	55,874	54,347
Inflation Linked Securities A	29,545	28,459
Long Term Fixed Interest	19,206	13,669
Diversified Strategies Income	83,847	77,634
Cash	11,233	11,729
Funds Under Management at 30 June	538,141	496,130

Funds SA
Financial Statements for the year ended 30 June 2017

17(n) South Australian Government Financing Authority (SAICORP – Insurance Fund 2)

Statement of Receipts and Payments

	2017	2016
	\$'000	\$'000
Funds Under Management at 1 July	27,971	44,983
Add: Receipts	-	-
Net Investment Income	2,029	988
	<u>2,029</u>	<u>988</u>
Less: Payments	<u>(10,500)</u>	<u>(18,000)</u>
Funds Under Management at 30 June	19,500	27,971

Statement of Funds Under Management - by Investment Option

Investment Option

Conservative A	19,500	27,971
Funds Under Management at 30 June	19,500	27,971

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	2,487	3,554
International Equities A	2,513	3,525
Property A	1,727	2,597
Inflation Linked Securities A	3,015	4,403
Long Term Fixed Interest	890	1,082
Short Term Fixed Interest	3,419	4,838
Diversified Strategies Income	3,458	4,970
Cash	1,991	3,002
	<u>19,500</u>	<u>27,971</u>
Funds Under Management at 30 June	19,500	27,971

Funds SA
Financial Statements for the year ended 30 June 2017

17(o) South Australian Government Financing Authority (SAICORP – Insurance Fund 3)

Statement of Receipts and Payments

	2017 \$'000	2016 \$'000
Funds Under Management at 1 July	16,011	9,083
Add: Receipts	4,000	6,500
Net Investment Income	1,246	428
	<u>5,246</u>	<u>6,928</u>
Less: Payments	<u>-</u>	<u>-</u>
Funds Under Management at 30 June	21,257	16,011

Statement of Funds Under Management - by Investment Option

Investment Option

Conservative A	21,257	16,011
Funds Under Management at 30 June	21,257	16,011

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	2,711	2,034
International Equities A	2,739	2,018
Property A	1,883	1,487
Inflation Linked Securities A	3,287	2,521
Long Term Fixed Interest	970	619
Short Term Fixed Interest	3,727	2,769
Diversified Strategies Income	3,769	2,845
Cash	2,171	1,718
Funds Under Management at 30 June	21,257	16,011

Funds SA
Financial Statements for the year ended 30 June 2017

17(p) **Adelaide Cemeteries Authority**

Statement of Receipts and Payments

	2017 \$'000	2016 \$'000
Funds Under Management at 1 July	4,560	4,399
Add: Receipts	730	500
Net Investment Income	624	511
	<u>1,354</u>	<u>1,011</u>
Less: Payments	<u>(430)</u>	<u>(850)</u>
Funds Under Management at 30 June	<u>5,484</u>	<u>4,560</u>

Statement of Funds Under Management - by Investment Option

Investment Option

High Growth A	4,271	3,842
Balanced A	791	389
Capital Defensive A	422	-
Cash A	-	329
	<u>5,484</u>	<u>4,560</u>
Funds Under Management at 30 June	<u>5,484</u>	<u>4,560</u>

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	1,507	1,206
International Equities A	1,527	1,217
Property A	800	678
Diversified Strategies Growth A	510	456
Inflation Linked Securities A	132	34
Long Term Fixed Interest	79	28
Short Term Fixed Interest	94	9
Diversified Strategies Income	685	500
Cash	150	432
	<u>5,484</u>	<u>4,560</u>
Funds Under Management at 30 June	<u>5,484</u>	<u>4,560</u>

Funds SA
Financial Statements for the year ended 30 June 2017

17(q) Motor Accident Commission Compulsory Third Party Fund

Statement of Receipts and Payments

	2017 \$'000	2016 \$'000
Funds Under Management at 1 July	1,900,279	2,059,726
Add: Receipts	3,000	226,000
Net Investment Income	114,874	89,053
	<u>117,874</u>	<u>315,053</u>
Less: Payments	<u>(1,020,237)</u>	<u>(474,500)</u>
Funds Under Management at 30 June	997,916	1,900,279

Statement of Funds Under Management - by Investment Option

Investment Option

Motor Accident Commission A	997,916	1,900,279
Funds Under Management at 30 June	997,916	1,900,279

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	78,128	170,299
International Equities A	80,359	166,010
Fixed Interest (MAC)	268,210	504,352
Diversified Strategies Income (MAC)	398,321	794,055
Infrastructure (MAC)	132,484	152,333
Absolute Return (MAC)	1	31,965
Cash	40,413	81,265
Funds Under Management at 30 June	997,916	1,900,279

Funds SA
Financial Statements for the year ended 30 June 2017

17(r) South Australian Metropolitan Fire Service Superannuation Scheme

Statement of Receipts and Payments

	2017 \$'000	2016 \$'000
Funds Under Management at 1 July	332,251	322,497
Add: Receipts	38,761	28,478
Net Investment Income	35,320	11,184
	<u>74,081</u>	<u>39,662</u>
Less: Payments	<u>(38,104)</u>	<u>(29,908)</u>
Funds Under Management at 30 June	368,228	332,251

Statement of Funds Under Management - by Investment Option

Investment Option

High Growth B	3,326	2,028
Growth B	292,821	263,219
Balanced B	3,608	2,378
Moderate B	2,681	3,257
Conservative B	56,835	55,150
Capital Defensive B	4,965	4,569
Cash B	3,992	1,650
	<u>368,228</u>	<u>332,251</u>
Funds Under Management at 30 June	368,228	332,251

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities B	86,043	76,625
International Equities B	76,481	67,267
Property B	47,538	43,931
Diversified Strategies Growth B	28,823	25,414
Inflation Linked Securities B	26,015	25,469
Diversified Strategies Income	59,463	57,155
Long Term Fixed Interest	14,615	15,137
Short Term Fixed Interest	11,920	11,125
Cash	17,330	10,128
	<u>368,228</u>	<u>332,251</u>
Funds Under Management at 30 June	368,228	332,251

Funds SA
Financial Statements for the year ended 30 June 2017

17(s) Super SA Select

Statement of Receipts and Payments

	2017	2016
	\$'000	\$'000
Funds Under Management at 1 July	3,214	2,698
Add: Receipts	861	1,060
Net Investment Income	305	98
	<u>1,166</u>	<u>1,158</u>
Less: Payments	<u>(654)</u>	<u>(642)</u>
Funds Under Management at 30 June	3,726	3,214

Statement of Funds Under Management - by Investment Option

Investment Option

Balanced B	3,378	2,870
Cash B	<u>348</u>	<u>344</u>
Funds Under Management at 30 June	3,726	3,214

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities B	777	651
International Equities B	678	552
Property B	404	348
Diversified Strategies Growth B	255	210
Inflation Linked Securities B	283	254
Diversified Strategies Income	542	490
Long Term Fixed Interest	262	250
Short Term Fixed Interest	99	64
Cash	<u>426</u>	<u>395</u>
Funds Under Management at 30 June	3,726	3,214

Funds SA
Financial Statements for the year ended 30 June 2017

17(t) Lifetime Support Authority

Statement of Receipts and Payments

	2017	2016
	\$'000	\$'000
Funds Under Management at 1 July	292,943	165,435
Add: Receipts	115,300	118,000
Net Investment Income	32,810	9,508
	<u>148,110</u>	<u>127,508</u>
Less: Payments	<u>-</u>	<u>-</u>
Funds Under Management at 30 June	441,053	292,943

Statement of Funds Under Management - by Investment Option

Investment Option

Moderate A	-	292,943
Lifetime Support Authority Strategy	441,053	-
Funds Under Management at 30 June	441,053	292,943

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities A	85,653	47,927
International Equities A	86,660	47,875
Property A	69,730	30,096
Diversified Strategies Growth A	45,770	16,797
Inflation Linked Securities A	32,947	34,386
Diversified Strategies Income	77,371	48,962
Long Term Fixed Interest	33,227	24,344
Short Term Fixed Interest	-	18,606
Cash	9,695	23,950
Funds Under Management at 30 June	441,053	292,943

Funds SA
Financial Statements for the year ended 30 June 2017

17(u) Health Services Charitable Gifts Board – Pool Investment

Statement of Receipts and Payments

	2017 \$'000	2016 \$'000
Funds Under Management at 1 July	69,840	61,027
Add: Receipts	4,750	19,000
Net Investment Income	6,283	2,313
	<u>11,033</u>	<u>21,313</u>
Less: Payments	(4,500)	(12,500)
Funds Under Management at 30 June	76,373	69,840

Statement of Funds Under Management - by Investment Option

Investment Option

Growth B	11,451	10,240
Balanced B	40,329	40,743
Capital Defensive B	22,012	16,325
Cash B	2,581	2,532
Funds Under Management at 30 June	76,373	69,840

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities B	13,795	12,846
International Equities B	12,019	10,745
Property B	7,716	7,300
Diversified Strategies Growth B	4,142	3,943
Inflation Linked Securities B	7,165	6,629
Diversified Strategies Income	12,028	11,623
Long Term Fixed Interest	4,615	4,877
Short Term Fixed Interest	7,732	5,680
Cash	7,161	6,197
Funds Under Management at 30 June	76,373	69,840

Funds SA
Financial Statements for the year ended 30 June 2017

17(v) Health Services Charitable Gifts Board – South Australian Health and Medical Research Institute Charitable Trust

Statement of Receipts and Payments

	2017 \$'000	2016 \$'000
Funds Under Management at 1 July	8,403	12,138
Add: Receipts	-	8,279
Net Investment Income	70	197
	<u>70</u>	<u>8,476</u>
Less: Payments	<u>(8,473)</u>	<u>(12,211)</u>
Funds Under Management at 30 June	<u>-</u>	<u>8,403</u>

Statement of Funds Under Management - by Investment Option

Investment Option

Cash B	<u>-</u>	<u>8,403</u>
Funds Under Management at 30 June	<u>-</u>	<u>8,403</u>

Statement of Funds Under Management – by Asset Sector

Asset Sector

Cash	<u>-</u>	<u>8,403</u>
Funds Under Management at 30 June	<u>-</u>	<u>8,403</u>

Funds SA

Financial Statements for the year ended 30 June 2017

17(w) Health Services Charitable Gifts Board – Ray and Shirl Norman Cancer Research Trust

Statement of Receipts and Payments

	2017 \$'000	2016 \$'000
Funds Under Management at 1 July	6,510	6,395
Add: Receipts	-	625
Net Investment Income	732	240
	<u>732</u>	<u>865</u>
Less: Payments	<u>(423)</u>	<u>(750)</u>
Funds Under Management at 30 June	<u>6,819</u>	<u>6,510</u>

Statement of Funds Under Management – by Investment Option

Investment Option

Growth B	6,559	6,255
Cash B	<u>260</u>	<u>255</u>
Funds Under Management at 30 June	<u>6,819</u>	<u>6,510</u>

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities B	1,701	1,613
International Equities B	1,509	1,424
Property B	918	900
Diversified Strategies Growth B	630	592
Inflation Linked Securities B	357	367
Diversified Strategies Income	1,053	1,060
Long Term Fixed Interest	250	270
Cash	<u>401</u>	<u>284</u>
Funds Under Management at 30 June	<u>6,819</u>	<u>6,510</u>

Funds SA
Financial Statements for the year ended 30 June 2017

17(x) Health Services Charitable Gifts Board – DE Brown Trust

Statement of Receipts and Payments

	2017 \$'000	2016 \$'000
Funds Under Management at 1 July	301	-
Add: Receipts	-	291
Net Investment Income	20	10
	<u>20</u>	<u>301</u>
Less: Payments	(7)	-
Funds Under Management at 30 June	314	301

Statement of Funds Under Management - by Investment Option

Investment Option

Conservative B	314	301
Funds Under Management at 30 June	314	301

Statement of Funds Under Management – by Asset Sector

Asset Sector

Australian Equities B	41	37
International Equities B	37	31
Property B	28	27
Inflation Linked Securities B	48	48
Diversified Strategies Income	56	57
Long Term Fixed Interest	15	16
Short Term Fixed Interest	56	52
Cash	33	33
Funds Under Management at 30 June	314	301

Funds SA
Financial Statements for the year ended 30 June 2017

17(y) The University of Adelaide Endowment Trust

Statement of Receipts and Payments

	2017 \$'000	2016 \$'000
Funds Under Management at 1 July	156,235	-
Add: Receipts	1,671	156,621
Net Investment Income	20,918	(386)
	<u>22,589</u>	<u>156,235</u>
Less: Payments	(4,860)	-
Funds Under Management at 30 June	173,964	156,235

Statement of Funds Under Management - by Investment Option

Investment Option

High Growth B	173,964	156,235
Funds Under Management at 30 June	173,964	156,235

Statement of Funds Under Management – by Asset Sector

Australian Equities B	56,797	50,411
International Equities B	48,438	43,277
Property B	27,683	26,080
Diversified Strategies Growth B	16,704	14,790
Diversified Strategies Income	20,726	19,699
Cash	3,616	1,978
Funds Under Management at 30 June	173,964	156,235

Funds SA
Financial Statements for the year ended 30 June 2017

Certification of the Financial Statements

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

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

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



John Piteo
Chief Operating Officer

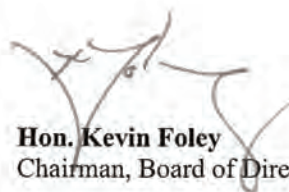


Jo Townsend
Chief Executive Officer

Approved by a resolution of the Board of Directors dated 11th September 2017.



Kathryn Presser
Chair of Audit and Risk Committee



Hon. Kevin Foley
Chairman, Board of Directors

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chairman, Board of Directors Superannuation Funds Management Corporation of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 28 of the *Superannuation Funds Management Corporation of South Australia Act 1995*, I have audited the financial report of the Superannuation Funds Management 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 Superannuation Funds Management 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
- Schedule 1: Asset Sector Funds Under Management for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chairman, a Director, the Chief Executive Officer and the Chief Operating 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 Superannuation Funds Management 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 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 Board of Directors 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 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

- 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 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.



Andrew Richardson

Auditor-General

20 September 2017

TAFE SA

Financial report
for the year ended
30 June 2017

TAFE SA
Statement of Comprehensive Income
for the year ended 30 June 2017

	Note No	2017 \$'000	2016 \$'000
Expenses			
Employee benefits	5	213 641	223 617
Supplies and services	6	101 954	101 878
Grants and subsidies	7	75	190
Depreciation and amortisation	8	4 835	4 423
Net loss from disposal of non-current assets	14	95	27
Other expenses	9	988	1 065
Total expenses		321 588	331 200
Income			
Grants and Subsidies from Department of State Development	10	230 572	234 287
Commonwealth grants	11	879	2 191
Student and other fees and charges	12	91 906	94 156
Other grants and contributions	13	2 738	3 062
Investment income		2	3
Other income	15	1 563	1 681
Total income		327 660	335 380
Net cost of providing service		6 072	4 180
Total comprehensive result		6 072	4 180

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

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

TAFE SA
Statement of Financial Position
as at 30 June 2017

	Note No	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	16	69 958	72 499
Receivables	17	19 373	13 700
Inventories	21	1 000	1 166
Total current assets		90 331	87 365
Non-current assets			
Receivables	17	55	75
Property, plant and equipment	18	15 685	16 866
Intangibles	19	10 588	12 205
Total non-current assets		26 328	29 146
Total assets		116 659	116 511
Current liabilities			
Payables	22	16 404	13 207
Employee benefits	23	16 131	15 463
Provisions	24	1 528	2 096
Unearned revenue	25	2 249	2 825
Other current liabilities		222	6
Total current liabilities		36 534	33 597
Non-current liabilities			
Payables	22	4 984	7 241
Employee benefits	23	42 444	47 243
Provisions	24	2 816	4 621
Total non-current liabilities		50 244	59 105
Total liabilities		86 778	92 702
Net Assets		29 881	23 809
Equity			
Retained earnings		8 077	2 005
Revaluation surplus		1 352	1 352
Contributed capital		20 452	20 452
Total equity		29 881	23 809

Total equity is attributable to the SA Government as owner.

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

TAFE SA
Statement of Changes in Equity
for the year ended 30 June 2017

	Revaluation Surplus \$'000	Retained Earnings \$'000	Contributed Capital \$'000	Total \$'000
Balance at 30 June 2015	1 352	(2 175)	20 452	19 629
Net result for 2015-16	-	4 180	-	4 180
Total comprehensive result for 2015-16	-	4 180	-	4 180
Balance at 30 June 2016	1 352	2 005	20 452	23 809
Net result for 2016-17	-	6 072	-	6 072
Total comprehensive result for 2016-17	-	6 072	-	6 072
Balance at 30 June 2017	1 352	8 077	20 452	29 881

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

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

TAFE SA
Statement of Cash Flows
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash outflows			
Employee benefit payments		(220 359)	(225 247)
Payments for supplies and services		(109 777)	(124 920)
Payments of grants and subsidies		(75)	(190)
Other payments		(209)	(490)
Cash used in operations		(330 420)	(350 847)
Cash inflows			
Commonwealth grants		879	2 191
Grants and Subsidies from Department of State Development		231 163	291 463
Student and other fees and charges		87 680	111 682
Other grants and contributions		3 202	2 766
Interest received		2	3
GST recovered from the Australian Taxation Office		4 782	3 472
Other receipts		2 315	1 074
Cash generated from operations		330 023	412 651
Net cash provided by (used in) operating activities	30	(397)	61 804
Cash flows from investing activities			
Cash Outflows			
Purchase of property, plant and equipment		(1 843)	(1 717)
Purchase of intangibles		(344)	(1 464)
Cash used in investing activities		(2 187)	(3 181)
Cash Inflows			
Proceeds from sale of property, plant and equipment		43	30
Cash generated from investing activities		43	30
Net cash used in investing activities		(2 144)	(3 151)
Net increase/(decrease) in cash and cash equivalents		(2 541)	58,653
Cash and cash equivalents at 1 July		72 499	13 846
Cash and cash equivalents at 30 June	16	69 958	72 499

TAFE SA

Notes to and forming part of the financial statements

for the year ended 30 June 2017

1 Corporation objectives and funding

(a) Objectives

TAFE SA (the Corporation) was established as a Public Corporation on 1 November 2012 by the *TAFE SA Act 2012*. TAFE SA is responsible to the Minister for Higher Education and Skills.

The primary objectives of TAFE SA are to:

- provide technical and further education in a manner that is efficient, effective and responsive to the needs of industry, students and the general community
- undertake or facilitate research that relates to technical and further education
- provide consultancy or other services, for a fee or otherwise, in any area in which staff of TAFE SA have particular expertise developed (whether wholly or partly) in the course of, or incidentally to, the provision of technical and further education
- undertake or provide for the development or use, for commercial, community or other purposes, of any intellectual property, product or process created or developed (whether wholly or partly) in the course of, or incidentally to, the provision of technical and further education
- perform any other function assigned to it by the Minister.

The *Public Corporations Act 1993* applies to TAFE SA and requires a Charter and Performance Statement to be prepared for TAFE SA by the Minister and Treasurer after consultation with TAFE SA.

(b) Funding

The Corporation is predominantly funded by the Department of State Development (DSD) through the *WorkReady* Program.

In addition income is generated from sales and fee for service. These include:

- student fees and charges
- fee for service – industry and enterprises
- global engagement and export
- international student recruitment.

The financial activities of the Corporation are primarily conducted through a Special Deposit Account with the Department of Treasury and Finance pursuant to Section 8 of the *Public Finance and Audit Act 1987*. The Special Deposit Account is used for funds provided by the *WorkReady* program from Department of State Development, Commonwealth grants and revenues from fees and charges.

(c) Principles of consolidation

Entities in which TAFE SA have a significant influence

South Australian Tertiary Admissions Centre (SATAC)

The South Australian Tertiary Admissions Centre (SATAC) is an arrangement between the three South Australian universities, the Minister for Higher Education and Skills, and Charles Darwin University in the Northern Territory. SATAC receives and processes undergraduate and postgraduate applications for admission to TAFE SA, Charles Darwin University and the three universities in South Australia.

TAFE SA has a 20% interest in SATAC. The interests in this associate are not considered material to the Corporation's core activities. Consequently as per AASB 128 *Investments in Associates and Joint Ventures*, they have not been taken up in the accounts on an equity basis.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies

(a) Statement of compliance

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

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

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

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.
- Compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the Accounting Policy Statements require the following Note disclosures, that have been included in these financial reports:
 - a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies
 - b) expenses incurred as a result of engaging consultants
 - c) employee targeted voluntary separation package information
 - d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
 - e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

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

The financial statements have been prepared based on the period 1 July 2016 to 30 June 2017 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.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2. Significant accounting policies (continued)

(c) Reporting entity

The Corporation is a statutory corporation of the state of South Australia, established pursuant to the *TAFE SA Act 2012*.

The financial statements and accompanying notes reflect the use of assets, liabilities, revenues and expenses controlled or incurred by the Corporation in its own right.

(d) Comparative information

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

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

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

(e) Rounding

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

(f) Current and non-current classification

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

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

(g) Events after the reporting period

There have been no events after the reporting period.

(h) Non-current assets

Acquisition and recognition

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

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

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

Items under \$10 000 are expensed in the Statement of Comprehensive Income in the accounting period in which they are acquired.

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

Every six years, the Corporation revalues its library collection. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

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

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

The valuation methodology applied to specific classes of non-current assets under revaluations is as follows:

- Library collection

The library collection is recorded at replacement value. The most recent valuation was carried out as at 30 June 2014 by AON Risk Solutions, an independent valuer, on the basis of depreciated replacement cost (a proxy for fair value).

- Plant and equipment

Items of plant and equipment are recorded at fair value less accumulated depreciation.

- Leasehold Improvements

Following initial recognition, leasehold improvements are carried at cost less any accumulated amortisation and any accumulated impairment losses.

- Intangibles

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

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

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

Impairment

All non-current assets are tested for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair

TAFE SA

Notes to and forming part of the financial statements for the year ended 30 June 2017

2. Significant accounting policies (continued)

value less costs of disposal and depreciated replacement cost. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

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

Depreciation and amortisation

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

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

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

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

Class of Asset	Useful Life (Years)
Plant and Equipment	1–45
Library Collection	3–15
Leasehold Improvements	10
Intangibles	10

(i) Liabilities

Liabilities have been established for various employee benefits arising from services rendered by employees to balance date. Employee benefits include entitlements to wages and salaries, long service leave, annual leave and non-attendance days. Long-term benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Employment related expenses include on-costs such as employer superannuation and payroll tax on employee entitlements together with the workers' compensation insurance premium. These are reported under Payables as on-costs on employee benefits (refer Note 22).

Salaries, wages, annual leave, skills and experience retention leave (SERL), non-attendance days and sick leave.

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

The annual leave liability and the SERL liability is expected to be payable within twelve months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages, annual leave and SERL liability are payable later than twelve months, the liability will be measured at present value.

Non-attendance days are accrued annually for employees engaged under the TAFE SA Act 2012 but are non-cumulative.

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

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2. Significant accounting policies (continued)

Long service leave

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

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

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

(j) Leases

The Corporation has entered into a number of operating lease agreements, as lessee, for buildings and other facilities where the lessor effectively retains all risks and benefits incidental to ownership of the items held under the operating leases.

Operating Leases

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

Details of commitments of current non-cancellable operating leases are disclosed at Note 27.

(k) Taxation

The Corporation is not subject to income tax and has been exempted from Income Tax Equivalent (ITE) requirements by the Treasurer under the current financial arrangement. The Corporation is liable for Payroll Tax, Fringe Benefits Tax and Goods and Services Tax (GST).

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

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

The 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.

(l) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2017

3 New and revised accounting standards and policies

The corporation 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 Corporation for the period ending 30 June 2017. The corporation 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 corporation, except as outlined below.

AASB 16 Leases

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 the corporation to record almost all operating lease arrangements in the financial statements.

There will be significant work for the corporation to report these assets and liabilities due to the large scale of its leasing activities.

The Corporation has not yet quantified the impact of applying AASB 16 to its current operating lease arrangements on the financial statements. There will be significant work for the Corporation to bring all leases currently treated as operating to the balance sheet. The Corporation will commence its analysis of current lease arrangements in response to AASB 16.

The standard will apply from 1 July 2019.

AASB 15 Revenue from Contracts with Customers

AASB 15 will replace AASB 118 and AASB 111.

The revenue recognition principle in the new standard is 'when control of a good or service transfers to a customer', rather than 'where the risk and rewards of ownership reside'.

This standard will have an impact on the Corporation – in relation to the potential timing of revenue recognition.

All commercial contracts with customers will need to be assessed for specific performance obligations in order to allocate consideration to obligations. The Corporation will commence its analysis of all commercial contract arrangements in response to AASB 15 in the first half of 2017-18.

The standard will apply from 1 July 2019.

AASB 1058 Income of Not for Profit Entities

AASB 1058 applies when a NFP 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. As for AASB 15 the Corporation will commence analysing the new revenue recognition requirements under AASB 1058 in the first half of 2017-18.

The standard will apply from 1 July 2019.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2017

4 Activities of the Corporation

As a public provider, TAFE SA aims to operate effectively and efficiently in a competitive market for vocational education and training to:

- deliver technical and further education efficiently and cost effectively at high standards of quality, while at all times ensuring the financial viability of TAFE SA
- build alliances and cooperation with other service providers to ensure quality and relevant course availability and delivery in the most efficient manner
- strengthen TAFE SA's position in technical and further education through the provision of fee for service activities, including quality training for overseas students
- targeted international activity
- ensure a safe work and learning environment for staff, students and the community.

Activities – Employment and Skills Formation

To deliver high quality training and skills development targeted to South Australia's economic priorities, economic transformation and jobs.

Sub-activities – Vocational Education and Training

- TAFE SA provides secondary & post-secondary vocational education and training (VET) through
 - providing innovative training to individuals and employers to develop workforce skills that are linked to employment opportunities
 - building foundation skills through vocational and community education, providing career advice, skills recognition and employment services that prepare people for training and/or job opportunities
 - supporting the economic priority to be recognised as the knowledge state by exporting services to overseas markets through the global engagement and export strategy.
 - 99.13% (2016: 99.19%) of expenditure and 99.97% (2016: 99.29%) of revenue relates to Vocational Education and Training.

Sub-activities – International and Higher Education

- TAFE SA:
 - Supports the development of Adelaide as a centre for education, international education and South Australian education exports including providing marketing services, analysis and student and community support.
 - Provides high level strategic policy advice to the Minister on higher education policy and planning.

TAFE SA**Notes to and forming part of the financial statements**
for the year ended 30 June 2017**5 Employee benefits**

	2017	2016
	\$'000	\$'000
Salaries and wages (including annual leave)	180 634	179 460
Superannuation	17 635	18 079
Payroll tax	9 972	10 242
Long service leave	910	6 896
Skills and experience retention leave	665	904
Board and committee fees	511	508
Workers' compensation	(1 089)	2 699
Targeted voluntary separation payments	3 860	4 401
Other employee related costs	543	428
	213 641	223 617

Salaries and wages on termination are included in salaries and wages.

Targeted Voluntary Separation Packages (TVSPs)

	2017	2016
	\$'000	\$'000
Amounts paid to these employees:		
TVSPs	3 860	4 401
Leave paid to those employees	1 639	2 040
	5,499	6,441
Funding from the Department of Treasury and Finance (through the Department of State Development)	3 775	3 411
Net cost to TAFE SA	1 724	3 030

The number of employees who were paid TVSPs during the reporting period	51	70
---	----	----

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Remuneration of employees

The number of employees whose remuneration received or receivable is \$147,000 or more falls within the following bands

	2017 Number	2016 Number
\$145,001 to \$147,000*	n/a	3
\$147,001 to \$157,000	10	6
\$157,001 to \$167,000	5	2
\$167,001 to \$177,000	-	1
\$177,001 to \$187,000	4	3
\$187,001 to \$197,000	2	3
\$197,001 to \$207,000	1	-
\$207,001 to \$217,000	2	1
\$217,001 to \$227,000 ^O	1	2
\$227,001 to \$237,000	1	1
\$237,001 to \$247,000	-	2
\$247,001 to \$257,000 ^O	-	1
\$257,001 to \$267,000 ^O	-	1
\$267,001 to \$277,000 ^{ΔO}	1	1
\$277,001 to \$287,000 ^Δ	1	-
\$287,001 to \$297,000	1	-
\$297,001 to \$307,000 ^Δ	3	2
\$347,001 to \$357,000	1	1
\$367,001 to \$377,000	1	-
\$397,001 to \$407,000 ^Δ	1	-
\$427,001 to \$437,000 ^O	-	1
Total number of employees	35	31

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

Δ This bandwidth includes employees that have received TVSP termination payments in 2016-17.

O This bandwidth includes employees that have received TVSP termination payments in 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 (including termination payments), superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$7.3 million (\$6.5 million).

The increase in the total number of employees from 31 in 2015-16 to 35 in 2016-17 is due to non-executive employees who were just below the first bandwidth in 2016 but moved into the first bandwidth in 2017.

The total remuneration received by non-executive employees in 2016-17 was \$3.4 million (\$2.7 million).

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2017

6 Supplies and services

	2017	2016
	\$'000	\$'000
Corporate services recharges paid to Department of State Development	-	136
Infrastructure recharges paid to Department of State Development	31 896	20 727
Funding to external vocational education and training providers	233	370
Printing and consumables	6 890	7 635
Minor works, maintenance and equipment	9 940	11 838
Information technology infrastructure and communication	10 284	11 828
Fees - contracted services (including consultants)	12 982	15 425
Utilities	7 077	7 624
Cleaning	6 869	7 786
Vehicle and travelling expenses	4 027	4 368
Rentals and leases	539	1 610
Books, materials and copyright	10 898	12 221
Other	319	310
Total supplies and services	101 954	101 878

Consultancy

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

	No.	2017 \$'000	No.	2016 \$'000
Below \$10 000	2	10	5	18
Above \$10 000	5	873	3	397
Total paid/payable to the consultants engaged (GST exclusive)	7	883	8	415

7 Grants and subsidies

	2017	2016
	\$'000	\$'000
Employment Programs	75	75
VET Programs	-	115
Total grants and subsidies	75	190

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2017

8 Depreciation and amortisation

	2017	2016
	\$'000	\$'000
Depreciation		
Plant and equipment	1 829	1 630
Library collection	910	876
Leasehold improvements	135	76
Total depreciation	2 874	2 582
Amortisation		
Intangibles	1 961	1 841
Total amortisation	1 961	1 841
Total depreciation and amortisation	4 835	4 423

9 Other expenses

	2017	2016
	\$'000	\$'000
Allowance for doubtful debts and debt write-offs (refer note 17)	532	607
Other*	456	458
Total other expenses	988	1 065

*Audit fees paid / payable to the Auditor-General's Department relating to work performed under the PFAA were \$298 300 (\$286 600). No other services were provided by the Auditor-General's Department.

10 Grants and Subsidies from Department of State Development

	2017	2016
	\$'000	\$'000
VET Subsidies	137 908	144 473
Community Services	11 806	18 083
VET Capital	4 575	6 315
TVSP Reimbursement	3 775	3 411
Other Funding	72 508	62 005
Total Grants and Subsidies from Department of State Development	230 572	234 287

TAFE SA**Notes to and forming part of the financial statements
for the year ended 30 June 2017****11 Commonwealth grants**

	2017	2016
	\$'000	\$'000
Aged Care Workforce	-	1 034
Aboriginal Projects	607	709
Other specific Commonwealth revenue	272	448
Total Commonwealth grants	879	2 191

2016-17 Commitments

Aboriginal projects including the Aboriginal Torres Strait Islander Rural and Remote Aged Care Training Project contributed \$0.6 million in grants revenue during 2016-17 (2016: \$0.7 million).

\$0.3 million in Other Specific Commonwealth Grants were received in 2016-17 (2016: \$0.4 million).

12 Student and other fees and charges

	2017	2016
	\$'000	\$'000
Sales/fee for service revenue	46 897	48 854
Student enrolment fees and charges	39 817	40 260
Other user fees and charges	5 192	5 042
Total student and other fees and charges received/receivable	91 906	94 156

13 Other grants and contributions

	2017	2016
	\$'000	\$'000
Grants and subsidies revenue	2 055	2 118
Grants from other entities within the SA Government	581	286
Contributed assets	-	585
Miscellaneous contributions	92	58
Donations	10	15
Total other grants and contributions	2 738	3 062

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

	2017	2016
	\$'000	\$'000
Plant and equipment		
Proceeds from disposals	(43)	(30)
Less: net book value of assets disposed	138	57
Total net loss from the disposal of non-current assets	95	27

15 Other income

	2017	2016
	\$'000	\$'000
Recoup of salaries	107	138
Sundry income	1 456	1 543
Total other income	1 563	1 681

TAFE SA

Notes to and forming part of the financial statements for the year ended 30 June 2017

16 Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Special deposit account with the Department of Treasury and Finance	69 944	72 483
Cash on hand	14	16
Total cash and cash equivalents	69 958	72 499

Special Deposit Account with the Department of Treasury and Finance

Includes funds received from Department of State Development for *WorkReady* and other program funding.

Interest rate risk

Cash on hand is non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

17 Receivables

	2017	2016
	\$'000	\$'000
Current		
Student and other fees and charges receivable	17 652	11 967
Less: allowance for doubtful debts	(2 231)	(1 874)
Prepayments	1 445	706
GST recoverable from Australian Taxation Office	2 480	2 814
Other receivables	27	87
Total current receivables	19 373	13 700
Non-current		
Workers compensation receivable	55	75
Total non-current receivables	55	75
Total receivables	19 428	13 775

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (i.e. calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

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

	2017	2016
	\$'000	\$'000
Carrying amount at the beginning of the period	1 874	2 279
Increase/(decrease) in the allowance	531	594
Amounts written off	(174)	(999)
Carrying amount at the end of the period	2 231	1 874

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Interest rate and credit risk

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

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

(a) **Categorisation and maturity analysis of financial instruments - Refer Note 32**

(b) **Risk exposure information - Refer Note 32**

18 Property, plant and equipment

	2017 \$'000	2016 \$'000
Plant and equipment		
Plant and equipment at cost (deemed fair value)	29 301	29 060
Accumulated depreciation	<u>(17 161)</u>	<u>(15 720)</u>
	12 140	13 340
Library collection		
Library collection at valuation	16 231	16 017
Accumulated depreciation	<u>(14 653)</u>	<u>(13 744)</u>
	1 578	2 273
Leasehold improvements		
Leasehold improvements at cost (deemed fair value)	1 642	1 161
Accumulated amortisation	<u>(212)</u>	<u>(77)</u>
	1 430	1 084
Work in Progress		
Capital work in progress	<u>537</u>	<u>169</u>
	537	169
 Total property, plant and equipment	 47 711	 46 407
Total accumulated depreciation at the end of the period	<u>(32 026)</u>	<u>(29 541)</u>
Total property, plant and equipment	15 685	16 866

Valuation of property

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

The library collection was valued at depreciated replacement cost (a proxy for fair value) as at 30 June 2014 by AON Risk Solutions.

Leasehold improvements are valued at cost.

Impairment

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

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Reconciliation of property, plant and equipment assets

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

	Plant and equipment \$'000	Library collection \$'000	Leasehold improvements \$'000	Work in progress \$'000	Total \$'000
2017					
Carrying amount at the beginning of the period	13 340	2 273	1 084	169	16 866
Additions	609	215	-	1 019	1 843
Disposals	(138)	-	-	-	(138)
Write off	(12)	-	-	-	(12)
Capitalisation	170	-	481	(651)	-
Depreciation	(1 829)	(910)	(135)	-	(2 874)
Carrying amount at the end of period	12 140	1 578	1 430	537	15 685

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

	Plant and equipment \$'000	Library collection \$'000	Leasehold improvements \$'000	Work in progress \$'000	Total \$'000
2016					
Carrying amount at the beginning of the period	13 141	2 854	148	1 129	17 272
Additions	172	295	-	1 180	1 647
Disposals	(57)	-	-	-	(57)
Contributed assets	586	-	-	-	586
Capitalisation	1 128	-	1 012	(2 140)	-
Depreciation	(1 630)	(876)	(76)	-	(2 582)
Carrying amount at the end of period	13 340	2 273	1 084	169	16 866

19 Intangible assets

	2017 \$'000	2016 \$'000
Computer software		
Internally developed computer software	6 561	5 970
Accumulated amortisation	(1 663)	(1 025)
	<u>4 898</u>	<u>4 945</u>
Externally developed Computer software	13 233	13 233
Accumulated amortisation	(8 038)	(6 715)
	<u>5 195</u>	<u>6 518</u>
Intangible work in progress	495	742
Total intangibles	<u>10 588</u>	<u>12 205</u>

The externally developed computer software predominantly relates to TAFE SA's Student Information System (SIS).

TAFE SA has no contractual commitments for the acquisition of intangibles assets.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Impairment

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

Reconciliation of intangible assets

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

	Intangibles	Intangibles work in progress	Total
	\$'000	\$'000	\$'000
2017			
Carrying amount at the beginning of the period	11 463	742	12 205
Additions	-	344	344
Capitalisations	590	(590)	-
Amortisation	(1 961)	-	(1 961)
Carrying amount at end of period	10 092	496	10 588

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

	Intangibles	Intangibles work in progress	Total
	\$'000	\$'000	\$'000
2016			
Carrying amount at the beginning of the period	12 422	143	12 565
Additions	882	599	1 481
Amortisation	(1 841)	-	(1 841)
Carrying amount at end of period	11 463	742	12 205

20 Fair value measurement

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

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

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

The valuation processes and fair value changes are reviewed by the Chief Financial Officer and Audit and Risk Committee at each reporting date.

Non-financial assets

In determining fair value, the Corporation has taken into account the characteristic of the asset (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).

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2017

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

The carrying amount of non-financial assets with a 'fair value' at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years are deemed to approximate fair value. Refer to notes 18 and 20 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Fair Value Hierarchy

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

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

The Corporation had no valuations categorised into level 1 and level 2.

Fair value Measurements at 30 June 2017

	Note	Level 3 \$'000	Total \$'000
Recurring fair value measurements			
Plant and Equipment	18	12 140	12 140
Library Collection	18	1 578	1 578
Leasehold Improvements	18	1 430	1 430
Total recurring fair value measurements		15 148	15 148
Total		15 148	15 148

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2016-17. The Corporation's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Fair value Measurements at 30 June 2016

	Note	Level 3 \$'000	Total \$'000
Recurring fair value measurements			
Plant and Equipment	18	13 340	13 340
Library Collection	18	2 273	2 273
Leasehold Improvements	18	1 084	1 084
Total recurring fair value measurements		16 697	16 697
Total		16 697	16 697

Reconciliation of fair value measurements – Level 3

The reconciliation of movements for the level 3 assets is provided in note 18.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2017

21 Inventories

	2017	2016
	\$'000	\$'000
Current		
Inventories held for sale	166	122
Inventories held for distribution	834	1 044
Total inventories	1 000	1 166

22 Payables

	2017	2016
	\$'000	\$'000
Current		
Creditors	4 752	3 306
Accrued expenses	6 483	4 648
Employment on-costs	5 139	5 236
Other	30	17
Total current payables	16 404	13 207
Non-current		
Creditors	68	1 766
Employment on-costs	4 916	5 475
Total non-current payables	4 984	7 241
Total payables	21 388	20 448

An actuarial assessment performed by the Department of Treasury and Finance determined that the proportion of long service leave taken as leave is 61% (2016:62%). The average factor used in the calculation of employer superannuation on-cost is 10.1% (2016:10.2%). These rates are used in the employment oncost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of \$90 544.

Interest rate and credit risk

Creditors are raised for all amounts billed but unpaid and accruals are raised where goods and services are received but an invoice has not yet been received. Sundry Creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

(a) **Categorisation and maturity analysis of financial instruments - refer note 32.**

(b) **Risk exposure information - Refer Note 32.**

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2017

23 Employee benefits

	2017 \$'000	2016 \$'000
Current		
Annual leave	6 354	6 699
Long service leave	2 825	2 566
Skills and experience retention leave	1 635	1 515
Accrued salaries and wages	1 069	413
Non-attendance days	4 248	4 270
Total current employee benefits	16 131	15 463
Non-current employee benefits		
Long service leave	42 444	47 243
Total non-current employee benefits	42 444	47 243
Total employee benefits	58 575	62 706

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

AASB 119 *Employee Benefits* requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has increased from 2016 (1.75%) to 2017 (2.50%).

This increase in the bond yield, which is used to discount future long service leave cash flows, results in a decrease in the reported long service leave liability. The net financial effect of the changes in the current financial year is a decrease in the long service leave liability of \$2.95 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption is the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave, non-attendance days, and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate for long service leave liability.

Long service leave entitlements for hourly paid instructors (HPIs) have been excluded from these statements due to the complexities and impracticability of retrieving accurate information in a timely manner from the TAFE SA Empower payroll system. Long service leave entitlement data for HPIs is only updated in Empower once actual leave requests have been manually verified against Human Resource records on a case by case basis.

Current long service leave reflects the portion of leave expected to be settled within the next 12 months based on the average long service leave taken annually over the previous 2 years.

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2017

24 Provisions

	2017	2016
	\$'000	\$'000
Current		
Workers compensation	1 528	2 096
Total current provisions	1 528	2 096
Non-current		
Workers compensation	2 816	4 621
Total non-current provisions	2 816	4 621
Total provisions	4 344	6 717
Carrying amount as at 1 July	6 717	6 747
Increase/decrease in provisions recognised	(2 373)	(30)
Carrying amount at 30 June	4 344	6 717

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. The provision is for the estimated cost of ongoing payments to employees as required under current legislation

The Corporation is responsible for the payment of workers compensation claims

25 Unearned revenue

	2017	2016
	\$'000	\$'000
Unearned revenue SA Government entities	48	251
Unearned revenue Non-SA Government entities	2 201	2 574
Total unearned revenue	2 249	2 825

Unearned Revenue relates to International students including those currently pending visa approval and domestic students course fees paid in advance that have yet to commence.

26 Equity

	2017	2016
	\$'000	\$'000
Retained earnings	8 077	2 005
Revaluation surplus	1 352	1 352
Contributed capital	20 452	20 452
Total equity	29 881	23 809

TAFE SA

Notes to and forming part of the financial statements for the year ended 30 June 2017

27 Unrecognised contractual commitments

Other commitments

	2017	2016
	\$'000	\$'000
Within one year	9 674	8 307
Later than one year and not later than five years	6 774	14 403
Total Other Commitments	16 448	22 710

TAFE SA's other commitments relate to National Disability Coordination Officer Program and Family Well Being Program contracts, cleaning contracts, and other procurement commitments.

Operating leases commitments

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

	2017	2016
	\$'000	\$'000
Within one year	57 651	25 991
Later than one year and not later than five years	238 621	26 517
Later than five years	622 653	-
Total Operating Lease Commitments	918 925	52 508

TAFE SA's operating leases are for office accommodation, campuses, equipment and motor vehicles. Office accommodation is leased from the Department for Planning, Transport and Infrastructure, but paid through an infrastructure recharge with Department of State Development under a Memorandum of Administrative Arrangement (MAA). The leases are non-cancellable with some leases having the right of renewal. TAFE SA campuses are leased from DSD under the MAA. Rent is payable in arrears. Motor Vehicles are leased from South Australian Government Financing Authority through their agent LeasePlan Australia.

TAFE SA

Notes to and forming part of the financial statements for the year ended 30 June 2017

28 Remuneration of board and committee members

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

TAFE SA Board

Mr J Branson AM
Ms N Buddle
Ms J Denley
Ms A Hurley
Ms S Mitchell
Ms M Silva
Ms V Simmons AO
Mr T W Smith (appointed 7 July 2016)
Mr P Vaughan (Chair)

Audit and Risk Committee

Mr J Branson AM (Chair)
Ms N Buddle
Ms A Hurley
Ms S Mitchell
Ms M Silva

Finance Committee

Mr J Branson AM
Ms N Buddle (Chair)
Ms S Mitchell
Ms M Silva
Ms V Simmons AO

Human Resources Committee

Ms J Denley (Chair)
Ms A Hurley
Mr T W Smith (appointed 7 July 2016)
Mr P Vaughan

Strategy Committee

Ms J Denley
Ms V Simmons AO
Mr T W Smith (appointed 7 July 2016)
Mr P Vaughan (Chair)

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2017

The number of members whose remuneration from the entity falls within the following bands is:

	2017	2016
	Number	Number
\$40 000 - \$49 999	-	1
\$50 000 - \$59 999	8	5
\$60 000 - \$69 999	-	2
\$100 000 - \$109 999	1	1
	<u>9</u>	<u>9</u>

Remuneration of board members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, fringe benefits tax and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$0.6 million (2016: \$0.6 million).

Amounts paid to a superannuation plan for board/committee members was \$44 602 (2016: \$48 753).

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

29 Related party transactions

TAFE SA was established as a Public Corporation on 1 November 2012 by the TAFE SA Act 2012. TAFE SA is responsible to the Minister for Higher Education and Skills.

Related parties of TAFE SA include all key management personnel and their close family member; 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

Significant transactions with government related entities have been disclosed under Note 31 Transactions with SA Government.

Collectively, but not individually significant transactions with government related entities.

Quantitative information about transactions and balances between TAFE SA and other SA Government controlled entities are disclosed at Note 31.

Key Management Personnel

Key management personnel of TAFE SA include the Minister for Higher Education and Skills, the Chief Executive Officer, eight members of the Executive Team and nine non-executive board members who have, or during the year have had, responsibility for the strategic direction and management of TAFE SA.

Compensation	2017
	\$'000
Salaries and other short term employee benefits	1 930
Post-employment benefits	215
Other long-term employment benefits	78
Termination benefits	95
Total compensation	<u>2 318</u>

There were no transactions with key management personnel and other related parties.

TAFE SA**Notes to and forming part of the financial statements
for the year ended 30 June 2017****30 Reconciliation of cash and cash Equivalents – cash at year end as per:**

	2017	2016
	\$'000	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	69 958	72 499
Balance as per the Statement of Cash Flows	69 958	72 499

**Reconciliation of net cash provided by operating activities to net cost
of providing services**

Net cash provided by (used in) operating activities	(397)	61 804
Depreciation and amortisation	(4 835)	(4 423)
Gain/loss on sale of assets	(95)	(27)
Assets written off	(12)	-
Donated Assets	-	586
(Increase)/Decrease in employee benefits	4 131	4 058
Increase/(Decrease) in receivables	5 653	(82 505)
Increase/(Decrease) in inventories	(166)	(238)
(Increase)/Decrease in payables	(940)	24 131
(Increase)/Decrease in unearned revenue	576	764
(Increase)/Decrease in other liabilities	(216)	-
(Increase)/Decrease in provisions	2 373	30
Net revenue (cost) of providing services	6 072	4 180

TAFE SA

Notes to and forming part of the financial statements for the year ended 30 June 2017

31 Transactions with SA Government

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

Note		SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	EXPENSES						
5	Employee benefits	10 110	10 469	203 531	213 148	213 641	223 617
6	Supplies and services						
	Corporate Services recharges to Department of State Development	-	136	-	-	-	136
	Infrastructure recharges to Department of State Development	31 896	20 727	-	-	31 896	20 727
	Funding to external vocational education and training providers	-	-	233	370	233	370
	Printing and consumables	-	-	6 890	7 635	6 890	7 635
	Minor works, maintenance and equipment	7 908	9 163	2 032	2 675	9 940	11 838
	Information technology infrastructure and communication	3 239	3 207	7 045	8 621	10 284	11 828
	Fees - contracted services	4 653	4 883	8 329	10 542	12 982	15 425
	Utilities	1 523	1 430	5 554	6 194	7 077	7 624
	Cleaning	879	1 308	5 990	6 478	6 869	7 786
	Vehicle and travelling expenses	1 628	1 791	2 399	2 577	4 027	4 368
	Rentals and leases	2	-	537	1 610	539	1 610
	Books, materials and copyright	-	-	10 898	12 221	10 898	12 221
	Other	-	-	319	310	319	310
7	Grants	75	75	-	115	75	190
8	Depreciation and amortisation expense	-	-	4 835	4 423	4 835	4 423
14	Net loss from disposal of non-current assets	-	-	95	27	95	27
9	Other expenses						
	Audit fees	298	287	145	162	443	449
	Allowance for doubtful debts and debt write-offs	-	-	532	607	532	607
	Other	-	-	13	9	13	9
	TOTAL EXPENSES	62 211	53 476	259 377	277 724	321 588	331 200

TAFE SA
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
	INCOME						
10	Grants and Subsidies from Department of State Development	230 572	234 287	-	-	230 572	234 287
11	Commonwealth grants	-	-	879	2 191	879	2 191
12	Student and other fees and charges						
	Sales/fee for service revenue	1 140	1 179	45 757	47 675	46 897	48 854
	Student enrolment fees and charges	982	858	38 835	39 402	39 817	40 260
	Other user fees and charges	215	154	4 977	4 888	5 192	5 042
13	Other grants and contributions	581	871	2 157	2 191	2 738	3 062
	Investment income	-	-	2	3	2	3
15	Other income						
	Recoup of salaries	107	138	-	-	107	138
	Sundry Income	-	-	1 456	1 543	1 456	1 543
	TOTAL INCOME	233 597	237 487	94 063	97 893	327 660	335 380

	FINANCIAL ASSETS						
17	Receivables						
	Student and other fees and charges receivable	756	3 527	16 896	8 440	17 652	11 967
	less: allowance for doubtful debts	-	-	(2 231)	(1 874)	(2 231)	(1 874)
	Prepayments	-	-	1 445	706	1 445	706
	GST recoverable from Australian Taxation Office	-	-	2 480	2 814	2 480	2 814
	Workers compensation receivable	-	-	55	75	55	75
	Other receivables	-	-	27	87	27	87
	TOTAL FINANCIAL ASSETS	756	3 527	18 672	10 248	19 428	13 775

	FINANCIAL LIABILITIES						
22	Payables						
	Creditors	519	458	4 301	4 614	4 820	5 072
	Accrued expenses	1 871	1 513	4 612	3 135	6 483	4 648
	Employment on-costs	4 319	4 481	5 736	6 230	10 055	10 711
	Paid parental leave scheme payable	-	-	-	2	-	2
	Other	-	-	30	15	30	15
	TOTAL FINANCIAL LIABILITIES	6 709	6 452	14 679	13 996	21 388	20 448

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2017

32 Financial risk management / Financial instruments

Financial risk management

Risk management is managed by the TAFE SA's corporate services section and TAFE SA risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*. TAFE SA is exposed to financial risk – liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

Categorisation and maturity analysis of financial assets and liabilities - Table 32.1

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

Category of financial asset and financial liability	Notes	2017 Contractual maturities	
		2017 Carrying amount / Fair value	Current
		\$'000	\$'000
Financial assets			
Cash and cash equivalents	16	69 958	69 958
Receivables ^{(1) (2)}	17	15 448	15 448
Total financial assets		85 406	85 406
Financial Liabilities			
Financial Liabilities at cost ⁽¹⁾	22	11 035	11 035
Total financial liabilities		11 035	11 035

Category of financial asset and financial liability	Notes	2016 Contractual maturities	
		2016 Carrying amount / Fair value	Current
		\$'000	\$'000
Financial assets			
Cash and cash equivalents	16	72 499	72 499
Receivables ^{(1) (2)}	17	10 180	10 180
Total financial assets		82 679	82 679
Financial Liabilities			
Financial Liabilities at cost ⁽¹⁾	22	9 448	9 448
Total financial liabilities		9 448	9 448

⁽¹⁾ Receivables and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights and obligations have their source legislation such as levy receivables/payables, tax equivalents, commonwealth tax etc. they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2017

⁽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.

All amounts recorded are carried at cost (not materially different from amortised cost).

Liquidity risk

Liquidity risk arises from the possibility that TAFE SA is unable to meet its financial obligations as they fall due. TAFE SA is funded principally from *WorkReady* funding provided by the Department of State Development.

TAFE SA settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in Table 37.1 represents TAFE SA's maximum exposure to financial liabilities.

Credit Risk

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

The carrying amount of financial assets as detailed in table 37.1 represents the Corporation's maximum exposure to credit risk.

TAFE SA has minimal concentration of credit risk. TAFE SA has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. TAFE SA does not engage in high risk hedging for its financial assets. No collateral is held as security and credit enhancements relate to financial assets held by TAFE SA.

Allowances for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently TAFE SA does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer to Note 17 for information on the allowance for impairment in relation to receivables.

The following table discloses the ageing of financial assets, past due, including impaired assets past due.

Table 32.2 Ageing analysis of financial assets

	Carrying amount \$'000	Not past due and not impaired \$'000	Past due but not impaired			Impaired financial assets \$'000
			Overdue for less than 30 days \$'000	Overdue for 30 – 60 days \$'000	Overdue for more than 60 days \$'000	
2017						
Not impaired						
Receivables ⁽¹⁾	15 448	5 038	4 160	1 532	2 487	2 231
2016						
Not impaired						
Receivables	10 180	1 482	3 570	633	2 621	1 874

TAFE SA
Notes to and forming part of the financial statements
for the year ended 30 June 2017

33 External funds held by TAFE SA

TAFE SA established the Onshore Petroleum Centre of Excellence (OPCE) with the Minister for Mineral Resources and Energy, SANTOS Limited, Beach Energy Limited and SENEX Energy Limited in May 2014.

Each of the external parties to this arrangement have provided cash and/or in-kind capital contributions for the establishment of the OPCE. These contributions will assist the OPCE in developing courses and delivering training that will increase the skills of people who are, or wish to be employed in the petroleum industry.

As the administering party, TAFE SA holds the funds in a separate interest bearing account on behalf of the Parties and will ensure that no deduction or expenditure is made from that account unless it is in accordance with a decision of the OPCE Board and terms of the Deed.

Decisions made by the Board must be a unanimous decision of all voting Members and cannot be inconsistent with the terms and conditions of this Deed. Note that the representative member from TAFE SA has an advisory role and is not entitled to vote.

As TAFE SA does not have control of these funds they are excluded from TAFE SA's financial statements.

The following is a summary of the transactions on these monies for the year:	2017	2016
	\$'000	\$'000
Opening balance of funds at 1 July	11	718
Interest revenue		6
Payments	(11)	(713)
Balance at 30 June	-	11

The Deed of agreement concluded in May 2016. Residual funds held by TAFE SA were expended for their intended purpose during 2016, and the interest bearing account was subsequently closed.

TAFE SA
Certification of the financial statements
for the year ended 30 June 2017

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

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards
- are in accordance with the accounts and records of the Corporation
- present a true and fair view of the financial position of TAFE SA 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 TAFE SA for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



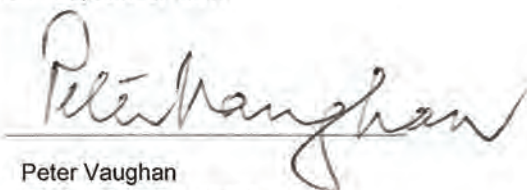
Robin Murt
Chief Executive

15 September 2017



John O'Dea
Chief Financial Officer

15 September 2017



Peter Vaughan
Chair, TAFE SA Board

15 September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chair TAFE SA Board

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 32 of the *Public Corporations Act 1993*, I have audited the financial report of TAFE SA 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 TAFE SA as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

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

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of TAFE SA. 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 TAFE SA Board for the financial report

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

The TAFE SA Board is responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

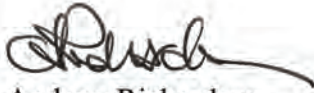
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an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

Andrew Richardson

Auditor-General

19 September 2017

Department of Treasury and Finance

Financial report
for the year ended
30 June 2017

Statement of Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Employee benefits expenses	5	67 323	63 905
Supplies and services	6	50 310	44 082
Depreciation and amortisation expense	7	3 870	2 946
Net loss from disposal of non-current assets	8	329	-
Other expenses	9	386	-
Total expenses		122 218	110 933
Income			
Revenues from fees and charges	10	57 425	41 606
Other income	11	4 144	8 376
Total income		61 569	49 982
Net cost of providing services		(60 649)	(60 951)
Revenues from SA Government			
Revenues from SA Government	12	72 435	76 424
Total revenues from SA Government		72 435	76 424
Net result		11 786	15 473
Total comprehensive result		11 786	15 473

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

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

Department of Treasury and Finance
Statement of Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	13	20 346	10 331
Receivables	14	3 752	8 176
Total current assets		24 098	18 507
Non-current assets			
Receivables	14	7	7
Property, plant and equipment	15	13 594	12 225
Intangible assets	16	37 633	29 185
Total non-current assets		51 234	41 417
Total assets		75 332	59 924
Current liabilities			
Payables	18	7 386	5 770
Employee benefits	19	7 969	7 198
Provisions	20	215	191
Total current liabilities		15 570	13 159
Non-current liabilities			
Payables	18	1 467	1 474
Employee benefits	19	15 953	15 967
Provisions	20	357	387
Total non-current liabilities		17 777	17 828
Total liabilities		33 347	30 987
Net assets		41 985	28 937
Equity			
Contributed capital		1 809	547
Retained earnings		40 176	28 390
Total equity		41 985	28 937

The total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	21

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

Statement of Changes in Equity
for the year ended 30 June 2017

	Contributed capital \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 30 June 2015	547	12 917	13 464
Total comprehensive result for 2015-16	-	15 473	15 473
Balance at 30 June 2016	547	28 390	28 937
Total comprehensive result for 2016-17	-	11 786	11 786
Equity contribution received	1 262	-	1 262
Balance at 30 June 2017	1 809	40 176	41 985

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

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

Department of Treasury and Finance
Statement of Cash Flows
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash outflows			
Employee benefit payments		(66 434)	(59 695)
Payments for supplies and services		(55 065)	(52 252)
Payments for Paid Parental Leave Scheme		(159)	(188)
Cash used in operations		(121 658)	(112 135)
Cash inflows			
Fees and charges		66 181	42 391
GST recovered from the Australian Taxation Office		3 008	3 355
Other receipts		4 210	7 354
Receipts for Paid Parental Leave Scheme		170	169
Cash generated from operations		73 569	53 269
Cash flows from SA Government			
Receipts from SA Government		72 435	76 424
Cash generated from SA Government		72 435	76 424
Net cash provided by/(used in) operating activities	24(b)	24 346	17 558
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(3 820)	(10 268)
Purchase of intangibles		(11 773)	(6 642)
Cash used in investing activities		(15 593)	(16 910)
Net cash provided by/(used in) investing activities		(15 593)	(16 910)
Cash flows from financing activities			
Cash inflows			
Equity contribution received		1 262	-
Cash generated from financing activities		1 262	-
Net cash provided by/(used in) financing activities		1 262	-
Net increase (decrease) in cash and cash equivalents		10 015	648
Cash and cash equivalents at the beginning of the period		10 331	9 683
Cash and cash equivalents at the end of the period	24(a)	20 346	10 331

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

**Disaggregated Disclosures
Expenses and Income
for the year ended 30 June 2017**

	Gambling Policy		Accountability for Public Sector Resources		Treasury Services		Financial Services Provision		Veterans' Affairs	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses										
Employee benefits expenses	353	603	17 804	15 875	4 738	4 441	43 363	41 919	1 008	1 067
Supplies and services	95	153	16 555	14 468	1 952	2 258	30 347	26 193	1 281	1 010
Depreciation and amortisation expense	3	3	300	125	-	-	3 304	2 808	263	10
Net loss from disposal of non-current assets	2	-	123	-	-	-	197	-	7	-
Other expenses	-	-	-	-	-	-	386	-	-	-
Total expenses	453	759	34 782	30 468	6 690	6 699	77 597	70 920	2 559	2 087
Income										
Revenues from fees and charges	354	285	1 180	417	5 006	5 657	50 863	35 227	22	20
Other income	1	1	2 040	1 954	1	-	1 577	420	525	6 001
Total income	355	286	3 220	2 371	5 007	5 657	52 440	35 647	547	6 021
Net cost of providing services	(98)	(473)	(31 562)	(28 097)	(1 683)	(1 042)	(25 157)	(35 273)	(2 012)	3 934
Revenues from / payments to SA Government										
Revenues from SA Government	-	-	-	-	-	-	-	-	-	-
Net result	(98)	(473)	(31 562)	(28 097)	(1 683)	(1 042)	(25 157)	(35 273)	(2 012)	3 934

Disaggregated Disclosures Expenses and Income

for the year ended 30 June 2017

	Office of the Valuer- General		General / Not Attributable		Activity Total
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	
Expenses					
Employee benefits expenses	57	-	-	-	67 323
Supplies and services	80	-	-	-	50 310
Depreciation and amortisation expense	-	-	-	-	3 870
Net loss from disposal of non-current assets	-	-	-	-	329
Other expenses	-	-	-	-	386
Total expenses	137	-	-	-	122 218
					110 933
Income					
Revenues from fees and charges	-	-	-	-	57 425
Other income	-	-	-	-	4 144
Total income	-	-	-	-	61 569
					49 982
Net cost of providing services	(137)	-	-	-	(60 649)
					(60 951)
Revenues from / payments to SA Government					
Revenues from SA Government	-	-	72 435	76 424	72 435
Net result	(137)	-	72 435	76 424	11 786
					15 473

**Disaggregated Disclosures
Assets and Liabilities
as at 30 June 2017**

	Gambling Policy		Accountability for Public Sector Resources		Treasury Services		Financial Services Provision		Veterans' Affairs	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets										
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	15	10	3	3	699	5 230	1	971
Property, plant and equipment	-	-	876	268	8	-	961	161	9 548	9 971
Intangible assets	-	-	687	762	-	-	36 778	28 220	89	73
Total assets	-	-	1 578	1 040	11	3	38 438	33 611	9 638	11 015
Liabilities										
Payables	15	25	3 159	475	517	523	3 392	4 491	50	798
Employee benefits	125	219	6 326	5 755	1 684	1 610	15 408	15 195	358	387
Provisions	1	2	188	166	22	30	345	368	15	13
Total liabilities	141	246	9 673	6 396	2 223	2 163	19 145	20 054	423	1 198
Net assets	(141)	(246)	(8 095)	(5 356)	(2 212)	(2 160)	19 293	13 557	9 215	9 817

**Disaggregated Disclosures
Assets and Liabilities
as at 30 June 2017**

	Office of the Valuer-General			General / Not Attributable		Activity Total	
	2017 \$'000	2016 \$'000		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Assets							
Cash and cash equivalents	-	-		20 346	10 331	20 346	10 331
Receivables	-	-		3 041	1 969	3 759	8 183
Property, plant and equipment	-	-		2 201	1 825	13 594	12 225
Intangible assets	-	-		79	130	37 633	29 185
Total assets	-	-		25 667	14 255	75 332	59 924
Liabilities							
Payables	-	-		1 720	932	8 853	7 244
Employee benefits	20	-		1	(1)	23 922	23 165
Provisions	-	-		1	-	572	578
Total liabilities	20	-		1 722	931	33 347	30 987
Net assets	(20)	-		23 945	13 324	41 985	28 937

Notes to and forming part of the financial statements

1 Objectives of the Department of Treasury and Finance (the Department)

The Department administers a range of programs and services in support of the government's seven strategic priorities and ten economic priorities for the State and South Australia's Strategic Plan.

The Department's objectives are to:

- Promote sustainable state finances
- Support responsible budget and financial management
- Deliver timely high quality services to meet the needs of our clients
- Collaborate to deliver high quality advice on economic, social and environmental issues

To achieve these objectives, the Department undertakes a number of activities for the government. The activity information is summarised in note 4.

2 Significant accounting policies

2.1 Statement of compliance

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

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

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

2.2 Basis of preparation

The preparation of the financial statements requires:

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

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

Notes to and forming part of the financial statements

2.2 Basis of preparation (continued)

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.

2.3 Reporting entity

The Department is a government department of the State of South Australia, established pursuant to the *Public Sector Act 2009*. The Department is an administrative unit acting on behalf of the Crown.

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

Transactions and balances relating to administered resources are not recognised as departmental income, expenses, assets or liabilities. As administered items are significant in relation to the Department's overall financial performance and position, they are disclosed in the administered financial statements at the back of the controlled general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

2.4 Comparative information

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

2.5 Rounding

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

2.6 Taxation

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

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (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 Department prepares the Business Activity Statement on behalf of the Administered items and Bureau agencies under the grouping provisions of the GST legislation. Under these provisions, the Department is liable for the payments and entitled to the receipt of GST. As such, the net amount of GST recoverable from, or payable to, the (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.

Notes to and forming part of the financial statements

2.7 Events after the end of the reporting period

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

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

2.8 Income

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

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

The following are specific recognition criteria:

Fees and charges

Revenues from fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to clients or by reference to the stage of completion. Fees and charges include guarantee fees which represent a price for the funding cost advantage the government guarantee gives to an agency and encompasses other advantages afforded by the government's financing frameworks and mechanisms. Guarantee fees are collected pursuant to Section 20 of the *Public Finance and Audit Act 1987*.

Revenues from SA Government

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

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

Taxation

Taxation revenue includes payroll tax, property taxes (land tax, stamp duty and emergency services levy), income tax equivalents and contributions from the Lotteries Commission of South Australia. All taxes are collected on behalf of the State government and recognised on receipt. All taxation revenues are reported net of any taxation refunds.

Payroll tax is payable pursuant to the *Payroll Tax Act 2009*.

Stamp duty is a charge on certain documents and transactions. Stamp duty is charged at either a flat rate or an ad valorem rate (based on the value of the transaction) depending on the particular document or transaction. Stamp duties apply to a range of transactions including conveyances, mortgages, insurance and rental transactions. Stamp Duties are levied under the authority of the *Stamp Duties Act 1923*, which is supported by the *Stamp Duties Regulations 2002*.

Land tax is charged on land ownership and calculated according to the site value of the land. The land owner is exempt from land tax where the land constitutes the owner's principal place of residence (other exemptions also apply).

As a result of changes to the *Casino Act 1997* and Casino Agreements the Commissioner of State Taxation commenced administration and collection of the Casino Duty from 1 January 2014. This includes all duty from gaming tables and gaming machines within the Adelaide Casino.

The Department also collects the fixed property component of emergency services levy payable under the *Emergency Services Funding Act 1998*.

Notes to and forming part of the financial statements

2.8 Income (continued)

Income tax equivalents are collected from applicable public authorities or business units in accordance with Treasurer's Instruction 22 'Tax Equivalent Payments'. Tax equivalent payments are calculated and paid on the basis of the Accounting Profits Method at the companies' income tax rate under the Commonwealth's *Income Tax Assessment Act 1997*.

Contributions from the Lotteries Commission of South Australia include distributions to the Hospitals Fund received in accordance with the *State Lotteries Act 1966*.

Commonwealth revenues

Commonwealth revenue disclosed in note 37 includes GST grants, Specific Purpose Payments and National Partnership Payments received from the Commonwealth pursuant to the Intergovernmental Agreement on Federal Financial Relations (IGAFFR). All Commonwealth revenue is recognised when received.

Dividends

Dividends represent distributions from applicable for-profit government agencies and include returns of accumulated capital. Dividend amounts are approved by the Treasurer prior to reporting date and recognised on receipt. Dividends are passed on to the Consolidated Account.

Interest revenues

Interest revenues principally relate to the income received/receivable on the Treasurer's deposit with the South Australian Government Financing Authority (SAFA). This interest is received/receivable on a quarterly basis at prevailing market rates.

Other revenues

Other revenue recognised in note 43 mainly represents the receipt of cash from agencies which is passed on to the Consolidated Account in accordance with the government's relevant policy directive. Revenue received in this manner and subsequently transferred to the Consolidated Account includes repayment of capital and advances, return of cash pursuant to the government's cash alignment policy and return of deposit account balances.

Notes to and forming part of the financial statements

2.9 Expenses

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

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

The following are specific recognition criteria:

Employee benefits expenses

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

Employee benefits expenses include expenses associated with the employment of staff assigned to support the activities of SAFA, the South Australian Superannuation Board (Super SA) and the Compulsory Third Party (CTP) Insurance Regulator. The Department fully recovers these expenses through Service Level Agreements with SAFA, Super SA and the CTP Insurance Regulator.

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Department to the superannuation scheme in respect of current services of current departmental staff. The superannuation liability of the SA Government is recognised in the whole of-government general purpose financial statements.

Superannuation contributions to various schemes (Administered)

This item represents past service superannuation cash payments to the South Australian Superannuation Fund and Police Superannuation Scheme. This annual contribution is designed to support the government's target of fully funding its unfunded superannuation liabilities by 2034 and is recognised when paid.

Depreciation and amortisation

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

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

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

The value of fitouts for leased buildings is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Land, water licences and non-current assets held for sale are not amortised / depreciated.

Notes to and forming part of the financial statements

2.9 Expenses (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 (yr)
Buildings	1 - 39
Land Improvements	3 - 100
Fitouts - leased buildings	Life of lease
Furniture	5 - 10
Information Technology Equipment	3 - 5
Intangibles	1 - 8
Office Equipment	3 - 7
Plant and Equipment	5 - 10

Grants subsidies and transfers

Grants, subsidies and transfers mainly represent the transfer of Commonwealth funding received pursuant to the IGAFRR to relevant government agencies. It also includes the payment of grants and other contributions approved by the Treasurer using appropriation funding provided to the Treasury and Finance administered items account. Grants, subsidies and transfers are recognised when paid.

Borrowing costs

Borrowing costs include annual interest charges on the Treasurer's borrowings from SAFA and interest paid by the Treasurer on agency deposit and special deposit accounts.

Interest is paid from the Treasury and Finance Administered Items special deposit account using funds appropriated for that purpose. While the Department administers these payments on behalf of the Treasurer, the underlying loan arrangements are administered by SAFA and are therefore not included in the Statement of Administered Financial Position.

Further information on borrowings undertaken by the Treasurer for the SA Government and other government financial assets and liabilities can be found in the SAFA annual report and the Consolidated Financial Report for the Government of South Australia prepared under AASB 1049 Whole of Government and Government Sector Financial Reporting.

Payments to SA Government

Payments to the SA Government reflect the return of surplus cash pursuant to the cash alignment policy and Administered Items includes the transfer of revenue received on behalf of the Consolidated Account.

Other Expenses

Other expenses include loans forgiven. Loans forgiven are the loans provided by the Treasurer to recipients on the basis that the Treasurer will forgive these loans if the recipient duly performs specified obligations defined under the loan agreement. The Treasurer forgives these loans on being satisfied that the recipient has duly performed these obligations.

2.10 Current and non-current classification

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle within twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

Notes to and forming part of the financial statements

2.11 Assets

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

Cash and cash equivalents

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

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

Receivables

Receivables include amounts receivable from goods and services provided, GST input tax credits recoverable, prepayments and other accruals. GST receivables include amounts for controlled, administered and bureau agencies.

Receivables arise in the normal course of selling goods and services to other SA Government agencies and to the public. Receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

Other financial assets

The Department measures financial assets and debt at historical cost, except for interest free loans (measured at the present value of expected repayments).

Non-current assets

Acquisition and recognition

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

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

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

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

Revaluation of non-current assets

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

The Department re-values its land and buildings over \$1 million every 6 years via an independent Certified Practising Valuer. The next independent revaluation is due in June 2019. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any 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.

2.11 Assets (continued)

Impairment

All non-current tangible and intangible assets are reviewed for indications of impairment through stocktaking processes or at the reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

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 infinite. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

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

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

Subsequent expenditure on intangible assets that includes upgrades or enhancements to existing software systems that result in additional functionality or performance is capitalised. Other expenditure for modifications that merely maintain the existing level of performance or system functionality is expensed.

Fair value measurement

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

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

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

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

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

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

Refer to note 17 and note 50 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Notes to and forming part of the financial statements

2.12 Liabilities

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

Payables

Payables include creditors, accrued expenses, GST payable, employment on-costs and Paid Parental Leave Scheme payable. GST payables include amounts for Controlled, Administered and Bureau activities.

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

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

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

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

Employee benefit on-costs include payroll tax, Return to Work SA levies and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

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

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Department has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Department has entered into operating leases.

Finance leases

The Department does not have any finance leases.

Operating leases

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

Employee benefits

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

Notes to and forming part of the financial statements

2.12 Liabilities (continued)

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

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

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

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

Long service leave

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

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

The current classification of the Department's long service leave liabilities has been calculated based on historical leave patterns, based on the Department's experience of employee retention and leave taken. The remainder of long service leave is classified as non-current.

This calculation is consistent with the Department's experience of employee retention and leave taken.

Provisions

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

When the Department expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

Workers' compensation

The workers' compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2017 provided by a consulting actuary engaged through the Office for the Public Sector (a division of the Department of the Premier and Cabinet). The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Department is responsible for the payment for workers' compensation claims.

2.13 Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

Notes to and forming part of the financial statements

3 New and revised accounting standards and policies

The Department did not change any of its accounting policies during 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. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department, except below:

AASB 16 Leases will apply for the first time 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 and amortisation 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.

Notes to and forming part of the financial statements

4 Activities of the Department

In achieving its objectives, the Department undertakes the following activities:

Activity 1 *Gambling Policy*

The Department provides policy advice to the Government on economic, social and regulatory issues associated with gambling.

Activity 2 *Accountability for Public Sector Resources*

The Department ensures accountability for public sector resources through providing policy, economic and financial advice to the Government and coordinating resource allocations for Government programs and priorities at the whole-of-government level.

Activity 3 *Treasury Services*

The Department manages the Government's financial assets and liabilities and provision of certainty of funding to the State.

Activity 4 *Financial Services Provision*

The Department provides a range of whole of government services including liability management, collection of taxes, insurance, superannuation and fleet administration.

Activity 5 *Veterans' Affairs*

The Department supports our ex-servicemen and women and those who support them by providing a central contact point for information about the State Government's services to veterans across departments, including health, transport, disability and mental health.

Activity 6 *Office of the Valuer-General*

The Valuer-General is an independent statutory officer responsible for determining both site and capital values on an annual basis, which are utilised by local government and state based rating authorities for the levying of rates and taxes. The Valuer-General also provides various valuation services for government along with the collation of data which forms part of the centralised land information system and economic cadastre.

General/not attributable: *Certain items of the Department are not allocated to activities.*

The Disaggregated Disclosure Schedules present expenses, income, assets and liabilities attributed to each of the activities for the years ended 30 June 2017 and 30 June 2016.

Notes to and forming part of the financial statements

5 Employee benefits expenses

	2017	2016
	\$'000	\$'000
Salaries and wages	48 540	43 889
TVSPs (refer below)	961	256
Long service leave	1 740	4 067
Annual leave	4 923	4 619
Skills and experience retention leave	269	337
Employment on-costs - superannuation	6 641	6 684
Employment on-costs - other	3 066	2 963
Board and committee fees	352	370
Other employee related expenses	831	720
Total employee benefits expenses	67 323	63 905

Targeted Voluntary Separation Packages (TVSPs)

	2017	2016
	\$'000	\$'000
Amounts paid to separated employees:		
TVSPs	961	256
Leave paid to those employees	784	105
Net cost to Department of Treasury and Finance	1 745	361

The number of employees who received a TVSP during the reporting period was 14 (5).

Remuneration of employees

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

	2017	2016
	Number of employees	Number of employees
\$145 001 - \$147 000*	-	2
\$147 001 - \$157 000	3	4
\$157 001 - \$167 000	6	2
\$167 001 - \$177 000	5	7
\$177 001 - \$187 000	6	4
\$187 001 - \$197 000	4	5
\$197 001 - \$207 000	1	1
\$207 001 - \$217 000	2	1
\$217 001 - \$227 000	1	-
\$227 001 - \$237 000	1	5
\$237 001 - \$247 000	1	1
\$247 001 - \$257 000	2	-
\$257 001 - \$267 000	-	1
\$267 001 - \$277 000	2	-
\$277 001 - \$287 000	1	1
\$287 001 - \$297 000	1	1
\$297 001 - \$307 000	-	1
\$327 001 - \$337 000	2	1
\$337 001 - \$347 000	2	-
\$347 001 - \$357 000	1	-
\$357 001 - \$367 000	1	1
\$367 001 - \$377 000	1	-
\$387 001 - \$397 000	1	-
\$417 001 - \$427 000	-	1
\$467 001 - \$477 000	1	-
Total number of employees	45	39

Notes to and forming part of the financial statements

5 Employee benefits expenses (continued)

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

The bands above include long service leave and annual leave payments relating to employees who received a termination payment during the financial year.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year, of which **40** (35) are executive and **5** (4) are non-executive staff. Remuneration of employees reflects all costs of employment including salaries and wages, payment in lieu of leave, superannuation contributions, fringe benefits, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was **\$10 398 000** (\$8 203 000).

6 Supplies and services

	2017	2016
	\$'000	\$'000
Accommodation and telecommunication	6 546	5 741
Information technology charges	6 102	7 823
Minor works, maintenance and equipment	582	675
Legal costs	5 687	3 692
Consultants*	3 841	2 831
Contractors and temporary staff	8 167	6 561
Valuation fees	4 999	4 794
General administration and consumables	7 435	4 668
Corporate recharge expense	3 088	3 205
Other ^	3 863	4 092
Total supplies and services	50 310	44 082

The total supplies and services amount disclosed includes GST amounts not-recoverable from the Australian Taxation Office due to the Department not holding a valid tax invoice or payments relating to third party arrangements.

^ Audit fees paid / payable to the Auditor-General's Department relating to work performed under *the Public Finance and Audit Act 1987* were **\$619 000** (\$565 000). No other services were provided by the Auditor-General's Department.

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

	2017	2016	2017	2016
	Number	Number	\$'000	\$'000
Below \$10 000	23	15	94	71
Above \$10 000	27	15	3 747	2 760
Total paid/payable to consultants engaged	50	30	3 841	2 831

Notes to and forming part of the financial statements

7 Depreciation and amortisation expense

	2017	2016
	\$'000	\$'000
Buildings	251	-
Furniture	9	4
Information technology equipment	461	373
Office equipment	2	2
Intangible assets	2 974	2 417
Building fitouts	173	150
Total depreciation and amortisation expense	3 870	2 946

8 Net loss from disposal of non-current assets

	2017	2016
	\$'000	\$'000
Plant and equipment:		
Proceeds from disposal	-	-
Less net book value of assets disposed	(329)	-
Net (loss) from disposal	(329)	-
Total assets		
Total proceeds from disposal	-	-
Less total net book value of assets disposed	(329)	-
Total net (loss) from disposal of non-current assets	(329)	-

9 Other expenses

	2017	2016
	\$'000	\$'000
Intangible write-off	386	-
Total other expenses	386	-

10 Revenues from fees and charges

	2017	2016
	\$'000	\$'000
Fees for the provision of corporate services	305	293
South Australian Government Financing Authority	13 123	12 822
South Australian Superannuation Board	27 391	20 266
Compulsory Third Party Insurance Regulator	7 423	-
Community Emergency Services Fund	6 501	6 342
Land tax certificates	265	262
Regulatory fees	161	80
Service provision	988	888
Other recoveries	1 268	653
Total fees and charges	57 425	41 606

Notes to and forming part of the financial statements

11 Other income

	2017	2016
	\$'000	\$'000
Commissions	142	144
Banking recoveries	1 769	1 792
Other income	2 233	6 440
Total other income	4 144	8 376

12 Revenues from SA Government

	2017	2016
	\$'000	\$'000
Revenues from SA Government		
Appropriations from the Consolidated Account pursuant to the <i>Appropriation Act</i>	55 641	55 722
Transfers from the Treasurer's Contingency Fund	12 870	11 632
Governor's Appropriation Fund	3 924	9 070
Total revenues from SA Government	72 435	76 424

Contingencies included \$4 590 000 for the CTP Insurance Market Reform Project, \$4 490 000 for Land Services Group Project, \$2 400 000 for the Tax Reform project, \$1 060 000 for Homestart Loan Portfolio project and \$330 000 for Medvet divestment.

Total revenues from SA Government consist of \$65 307 000 for operational funding and \$7 128 000 for capital projects.

The original amount appropriated to the Department under the annual *Appropriation Act* was \$55 641 000. An additional amount of \$3 924 000 was received from the Treasurer via the Governor's Appropriation Fund.

13 Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Deposits with the Treasurer	20 344	10 328
Cash on hand	2	3
Total cash and cash equivalents	20 346	10 331

Interest rate risk

Cash on hand and Deposits at call and with the Treasurer are non-interest bearing. The nominal amount of cash and cash equivalents represents fair value.

Notes to and forming part of the financial statements

14 Receivables

	2017 \$'000	2016 \$'000
Current		
Receivables	1 532	748
Less allowance for doubtful debts	(3)	-
Accrued revenues	1 197	5 776
Prepayments	813	885
Net GST receivable from the ATO	213	767
Total current receivables	3 752	8 176
Non-current		
Receivables	7	7
Total non-current receivables	7	7
Total receivables	3 759	8 183

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 'supplies and services' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

The following table shows the movements in the allowance for doubtful debts (impairment loss):

	2017 \$'000	2016 \$'000
Carrying amount at the beginning of the period	-	-
Increase in the allowance	3	-
Carrying amount at the end of the period	3	-

Interest rate and credit risk

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

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

Ageing analysis of financial assets - refer to table 27.3 in note 27.

Maturity analysis of financial assets and liabilities - refer to table 27.4 in note 27.

Categorisation of financial instruments and risk exposure information - refer to note 27

Notes to and forming part of the financial statements

15 Property, plant and equipment

	2017 \$'000	2016 \$'000
Buildings		
At cost	9 799	-
Accumulated depreciation	(251)	-
Total buildings	9 548	-
Building fitouts		
At cost	3 752	2 613
Accumulated depreciation	(1 887)	(1 960)
Total building fitouts	1 865	653
Furniture		
At cost	452	260
Accumulated depreciation	(235)	(259)
Total furniture	217	1
Information technology equipment		
At cost	2 867	2 003
Accumulated depreciation	(1 700)	(1 299)
Total information technology equipment	1 167	704
Office equipment		
At cost	148	279
Accumulated depreciation	(140)	(269)
Total office equipment	8	10
Work in progress		
At cost	789	10 857
Total work in progress	789	10 857
Total property, plant and equipment	13 594	12 225

Carrying amount of property, plant and equipment

All items of property, plant and equipment that had a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years, have not been revalued in accordance with APF III. The carrying value of these items are deemed to approximate fair value. The assets are classified as level 3 in the fair value hierarchy (not traded in an active market and are derived from unobservable inputs) as there has been no subsequent adjustments to their value, except for management assumptions about the asset condition and remaining useful life.

Notes to and forming part of the financial statements

15 Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

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

2017	Information					
	Buildings	Building fitouts	Furniture	technology equipment	Office equipment	Work in progress
		\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	-	653	1	704	10	10 857
Additions	-	19	-	-	-	2 576
Capital transfers from WIP	9 799	1 696	225	924	-	(12 644)
Depreciation and amortisation	(251)	(173)	(9)	(461)	(2)	-
Disposals	-	(330)	-	-	-	-
Carrying amount at the end of the period	9 548	1 865	217	1 167	8	789

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

2016	Information					Total
	Building fitouts	Furniture	technology equipment	Office equipment	Work in progress	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	333	5	743	12	369	1 462
Additions	100	-	-	-	11 183	11 283
Capital transfers from WIP	370	-	325	-	(695)	-
Transfer between asset classes	-	-	9	-	-	9
Depreciation and amortisation	(150)	(4)	(373)	(2)	-	(529)
Carrying amount at the end of the period	653	1	704	10	10 857	12 225

Notes to and forming part of the financial statements

16 Intangible assets

	2017 \$'000	2016 \$'000
Internally developed computer software		
At cost	38 592	40 060
Accumulated amortisation	(13 043)	(14 228)
Total Internally developed computer software	25 549	25 832
Externally acquired software		
At cost	3 306	2 099
Accumulated amortisation	(2 194)	(2 099)
Total externally acquired software	1 112	-
Work in progress		
At cost	10 972	3 353
Total work in progress	10 972	3 353
Total intangible assets	37 633	29 185

Reconciliation of Intangible assets

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

	Internally developed software \$'000	Externally acquired software \$'000	Work in progress \$'000	Total \$'000
Carrying amount at the beginning of the period	25 832	-	3 353	29 185
Additions	-	-	11 808	11 808
Capital transfers from WIP	2 413	1 390	(3 803)	-
Amortisation expense	(2 696)	(278)	-	(2 974)
Write off	-	-	(386)	(386)
Carrying amount at the end of the period	25 549	1 112	10 972	37 633

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

	Internally developed software \$'000	Externally acquired software \$'000	Work in progress \$'000	Total \$'000
Carrying amount at the beginning of the period	9 237	-	15 730	24 967
Additions	-	-	6 644	6 644
Capital transfers from WIP	19 012	-	(19 012)	-
Transfers between asset classes	-	-	(9)	(9)
Amortisation expense	(2 417)	-	-	(2 417)
Carrying amount at the end of the period	25 832	-	3 353	29 185

Notes to and forming part of the financial statements

17 Fair value measurement

Fair Value Hierarchy

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

Fair value measurements at 30 June 2017

	Level 3	Total
	\$'000	\$'000
Recurring fair value measurements		
Building (note 15)	9 548	9 548
Building fitouts (Note 15)	1 865	1 865
Furniture (Note 15)	217	217
Information technology equipment (Note 15)	1 167	1 167
Office equipment (Note 15)	8	8
Total recurring fair value measurements	12 805	12 805

Fair value measurements at 30 June 2016

	Level 3	Total
	\$'000	\$'000
Recurring fair value measurements		
Building fitouts (Note 15)	653	653
Furniture (Note 15)	1	1
Information technology equipment (Note 15)	704	704
Office equipment (Note 15)	10	10
Total recurring fair value measurements	1 368	1 368

There were no transfers of assets into or out of the level 3 hierarchy in 2017. The Department's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Valuation techniques and inputs

All property, plant and equipment is recognised at cost less accumulated depreciation.

In accordance with APF III 'Asset Accounting Framework', property, plant and equipment is only revalued when its fair value at acquisition date exceeds \$1 million and its estimated useful life is greater than 3 years. The Department does not control any assets that meet this threshold.

Estimates of residual value and useful life used to calculate accumulated depreciation are not based on observable market data. For this reason all property, plant and equipment is categorised into level 3.

There were no changes in valuation techniques during 2017.

Notes to and forming part of the financial statements

17 Fair value measurement (continued)

Reconciliation of recurring fair value measurements - Level 3 as at 30 June 2017

	Buildings	Building fitouts	Office equipment	Furniture	Information technology equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at the beginning of the period	-	653	10	1	704
Additions	9 799	1 715	-	225	924
Disposals		(330)	-	-	-
Subtotal	9 799	2 038	10	226	1 628
Gains/(losses) for the period recognised in net result:					
Depreciation	(251)	(173)	(2)	(9)	(461)
Carrying amount at the end of the period	9 548	1 865	8	217	1 167

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

	Office equipment	Building fitouts	Furniture	Information technology equipment
	\$'000	\$'000	\$'000	\$'000
Opening balance at the beginning of the period	12	333	5	743
Additions	-	470	-	325
Transfers between asset classes	-	-	-	9
Subtotal	12	803	5	1 077
Gains/(losses) for the period recognised in net result:				
Depreciation	(2)	(150)	(4)	(373)
Carrying amount at the end of the period	10	653	1	704

18 Payables

	2017	2016
	\$'000	\$'000
Current		
Creditors and accrued expenses	6 221	4 744
Employment on-costs	1 149	1 021
Paid Parental Leave Scheme payable	16	5
Total current payables	7 386	5 770
Non-current		
Employment on-costs	1 467	1 474
Total non-current payables	1 467	1 474
Total payables	8 853	7 244

Notes to and forming part of the financial statements

18 Payables (continued)

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

These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of \$13 000 and employee benefits expense of \$13 000.

Interest rate and credit risk

Creditors and accruals are raised for all amounts owing but unpaid. Creditors are normally settled within 30 days from the date the invoice is first received. Employment on-costs are settled when the respective employee benefits that they relate to are discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand. In addition, there is no concentration of credit risk.

Maturity analysis of financial assets and liabilities - refer to table 27.4 in note 27.

Categorisation of financial instruments and risk exposure information - refer to note 27.

19 Employee benefits

	2017 \$'000	2016 \$'000
Current		
Accrued salaries and wages	1 119	791
Annual leave	5 013	4 356
Long service leave	1 433	1 655
Skills and experience retention leave	404	396
Total current employee benefits	7 969	7 198
Non-current		
Long service leave	15 953	15 967
Total non-current employee benefits	15 953	15 967
Total employee benefits	23 922	23 165

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in measurement of the long service liability. The yield on long-term Commonwealth Government bonds has increased from 2016 (2%) to 2017 2.5%.

The increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability. The net financial effect of the changes in the current financial year is a decrease in the long service leave liability of \$695 000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

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

Notes to and forming part of the financial statements

20 Provisions

	2017 \$'000	2016 \$'000
Current		
Provision for workers' compensation	215	191
Total current provisions	215	191
Non-current		
Provision for workers' compensation	357	387
Total non-current provisions	357	387
Total provisions	572	578

Reconciliation of provisions

Carrying amount at the beginning of the period	578	686
Payments/other sacrifices of future economic benefits	(174)	(213)
Additional provisions recognised	168	105
Carrying amount at the end of the period	572	578

A liability has been reported to reflect unsettled workers' compensation claims. The workers' compensation provision is based on an actuarial assessment performed by the Office for the Public Sector (a division of the Department of the Premier and Cabinet).

21 Unrecognised contractual commitments**a) Operating lease commitments****The Department as Lessee**

At the reporting date, the Department has operating leases for office accommodation and motor vehicles.

Office accommodation is leased from the Department of Planning, Transport and Infrastructure. The leases are non-cancellable with original terms ranging up to 6 years with some having right of renewal. Rental is payable in arrears.

Motor vehicles are leased from SAFA through their agent LeasePlan, these leases are non-cancellable with terms of 3-5 years.

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

	2017 \$'000	2016 \$'000
Not later than one year	1 329	769
Later than one year but not later than five years	2 953	79
Later than five years	406	—
Total non-cancellable operating lease commitments	4 688	848

b) Other commitments

The Department's other commitments are primarily agreements for software licenses and software development.

	2017 \$'000	2016 \$'000
Not later than one year	10 990	11 791
Later than one year and not later than five years	5 529	4 167
Total other commitments	16 519	15 958

Notes to and forming part of the financial statements

22 Remuneration of board and committee members

SAFA Advisory Board

Mr David Reynolds (Presiding Member)*
Ms Nicolle Rantanen (Deputy Member)*
Ms Kathryn Presser
Ms Joan Fitzpatrick
Mr Paul Holloway
Ms Juliet Brown
Mr Mark Day
Mr Jamie Hollamby*
Ms Kerry Rowlands (Deputy Member)*

SAFA Audit and Risk Management Committee

Ms Nicolle Rantanen (Chair)*
Ms Gianna Giannopoulos* (Appointed 21/09/2016)
Ms Tamara Tomic* (Appointed 21/09/2016)
Ms Juliet Brown (Term expired 23/08/2016)
Mr Mark Day (Term expired 23/08/2016)
Mr Jamie Hollamby* (Term expired 23/08/2016)
Ms Joan Fitzpatrick (Term expired 23/08/2016)

Super SA Audit, Risk and Finance Committee

Ms Virginia Deegan (Convenor of Meetings)
Ms Annette Hurley (Appointed 21/09/2016)
Mr John Wright
Mr Philip Jackson (Resigned 08/09/2016)

Super SA Board

Ms Annette Hurley (Presiding member) -
(Appointed 09/09/2016)
Mr Philip Jackson (Resigned 08/09/2016)
Ms Virginia Deegan
Mr Richard Dennis (Appointed 08/09/2016)
Dr Bill Griggs*
Ms Jan McMahon
Ms Leah York (Deputy Member)
Ms Elizabeth Hlipala (Deputy Member)*
Mr Aaron Chia (Deputy Member)*
Mr John Wright (Deputy Member)

Veterans' Advisory Council

AVM B Espeland AM (Retd) (Chair)
BRIG L Lewis AM (Retd)^
BRIG TJ Hanna AM
Dr P D Schultz OAM
Mr R J Kemp
Ms C Graham
Mr B L Horan
COL C M Burns CSC
Mr L Eddy
Mr M von Berg MC OAM
Dr S L Mascal-Dare
Ms H Meyer (Appointed 01/02/2017)
GPCAPT D Goldie (Appointed 01/02/2017)
LTCOL P Graham DSM (Appointed 01/02/2017)
Mr F Lampard OAM (Appointed 01/02/2017)
Mr J O'Hanlon (Appointed 01/02/2017)
CMDR A Burnett (Appointed 01/02/2017)
Ms P Dabovich
LTCOL J Wilson (Retd) (Term expired 31/12/2016)
Mr D J Everitt (Term expired 31/12/2016)
Ms H K Adamson (Term expired 31/12/2016)
LTCOL I R Gregg (Term expired 31/12/2016)
LTCOL D McCammon^ (Term expired 31/12/2016)
WGCDR R A Macintosh AFC OAM (Retd) -
(Term expired 31/12/2016)

DTF Audit and Risk Committee

Ms Nicolle Rantanen (Chair)*
Mr Andrew Blaskett *
Ms Kate Dooley*
Mr John Hill - Independent Member
Ms Tammie Pribanic*
Ms Jeanette Dhondie* (Appointed 22/12/2016)
Mr Greg Raymond* (Appointed 28/02/2017)
Ms Shakhlo Rasulova* (Appointed 18/04/2017)

Super SA Member Services Committee

Ms Jan McMahon (Convenor of Meetings)
Ms Leah York
Dr Bill Griggs*
Mr John Montague*

Notes to and forming part of the financial statements

22 Remuneration of board and committee members (continued)

* In accordance with the Department of Premier and Cabinet Circular Number 016, Government employees did not receive any remuneration for board/committee duties during the financial year.

^ BRIG L Lewis AM (Retd), LTCOL D McCammon were entitled to but elected not to receive remuneration for membership of the Veteran's Advisory Council.

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

	2017 Number	2016 Number
\$0 - \$9 999	20	19
\$10 000 - \$19 999	2	1
\$20 000 - \$29 999	1	2
\$30 000 - \$39 999	6	4
\$40 000 - \$49 999	2	4
Total number of members	31	30

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, fringe benefits, fringe benefits tax and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$ 374 000 (\$407 000).

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

23 Related party transactions

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

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

Collectively, but not individually significant transactions with government related entities

Quantitative information about transactions and balances between the Department and other SA Government entities is disclosed at Note 25.

Key management personnel

Key management personnel of the Department include the Minister / Treasurer, the Chief Executive Officer and other directors/ members of the Executive Team who have responsibility for the strategic direction and management of the Department. The compensation detailed below excludes salaries and other benefits the Minister / Treasurer receives. The Minister's / 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 Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

	2017 \$'000
Salaries and other short term employee benefits	3 272
Post-employment benefits	381
Total compensation	3 653

Notes to and forming part of the financial statements

24 Cash flow reconciliation

	2017 \$'000	2016 \$'000
(a) Reconciliation of cash and cash equivalents at the end of the reporting period		
Statement of Cash Flows	20 346	10 331
Statement of Financial Position	20 346	10 331
(b) Reconciliation of net cash provided by (used in) operating activities to net cost of providing services		
Net cash provided by operating activities	24 346	17 558
Less revenues from SA Government	(72 435)	(76 424)
Add non cash items		
Depreciation and amortisation	(3 870)	(2 946)
Net loss from disposal of non-current assets	(329)	-
Other expenses	(386)	-
Movements in assets / liabilities		
Increase/(decrease) in receivables	(4 424)	3 030
(Increase)/decrease in payables	(2 800)	1 586
(Increase)/decrease in employee benefits	(757)	(3 863)
(Increase)/decrease in provisions	6	108
Net cost of providing services	(60 649)	(60 951)

25 Transactions with SA Government

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

	Note	SA Government		Non-SA Government		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses							
Employee benefits expenses	5	3 395	3 263	63 928	60 642	67 323	63 905
Supplies and services	6						
Accommodation and telecommunication		6 418	5 612	128	129	6 546	5 741
Information technology charges		498	1 108	5 604	6 715	6 102	7 823
Minor works maintenance and equipment		478	436	104	239	582	675
Legal costs		2 059	1 777	3 628	1 915	5 687	3 692
Consultants		-	-	3 841	2 831	3 841	2 831
Contractors and temporary staff		-	-	8 167	6 561	8 167	6 561
Valuation fees		4 999	4 794	-	-	4 999	4 794
General administration and consumables		1 670	1 548	5 765	3 120	7 435	4 668
Corporate recharge expense		3 088	3 205	-	-	3 088	3 205
Other supplies and services		1 538	2 128	2 325	1 964	3 863	4 092
Depreciation and amortisation expense	7	-	-	3 870	2 946	3 870	2 946
Net loss from disposal of non-current assets	8	-	-	329	-	329	-
Other Expenses	9	-	-	386	-	386	-
Total expenses		24 143	23 871	98 075	87 062	122 218	110 933

Notes to and forming part of the financial statements

25 Transactions with SA Government (continued)

		SA Government		Non-SA Government		Total	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Income							
Revenues from fees and charges	10						
Fees for the provision of corporate services		305	293	-	-	305	293
South Australian Government Financing Authority		13 123	12 822	-	-	13 123	12 822
South Australian Superannuation Board		27 391	20 266	-	-	27 391	20 266
Compulsory Third Party Regulator		7 423	-	-	-	7 423	-
Community Emergency Services Fund		6 501	6 342	-	-	6 501	6 342
Land tax certificates		-	-	265	262	265	262
Regulatory fees		-	-	161	80	161	80
Service provision		988	888	-	-	988	888
Other recoveries		1 111	124	157	529	1 268	653
Other income	11						
Commissions		-	-	142	144	142	144
Banking recoveries		-	-	1 769	1 792	1 769	1 792
Other income		1 502	321	731	6 119	2 233	6 440
Revenues from SA Government	12	72 435	76 424	-	-	72 435	76 424
Total income		130 779	117 480	3 225	8 926	134 004	126 406
Financial assets							
Cash and cash equivalents	13	20 261	10 331	85	-	20 346	10 331
Receivables	14						
Receivables		980	693	556	62	1 536	755
Accrued revenues		1 190	4 816	7	960	1 197	5 776
Prepayments		-	-	813	885	813	885
Net GST receivable from the ATO		-	-	213	767	213	767
Total financial assets		22 431	15 840	1 674	2 674	24 105	18 514
Financial liabilities							
Payables	18						
Creditors and accrued expenses		2 984	2 423	3 237	2 321	6 221	4 744
Employment on-costs		1 252	1 211	1 364	1 284	2 616	2 495
Paid Parental Leave Scheme payable		-	-	16	5	16	5
Employee benefits	19						
Accrued salaries and wages		-	-	1 119	791	1 119	791
Annual leave		-	-	5 013	4 356	5 013	4 356
Long service leave		-	-	17 386	17 622	17 386	17 622
Skills and experience retention leave		-	-	404	396	404	396
Provisions	20						
Provision for workers' compensation		-	-	572	578	572	578
Total financial liabilities		4 236	3 634	29 111	27 353	33 347	30 987

Notes to and forming part of the financial statements

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

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

		Original budget ¹	Actual	Variance	Variance explanation
		2017	2017	2017	
		\$'000	\$'000	\$'000	
Statement of Comprehensive Income	Note				
Expenses					
Employee benefits expenses	5	67 069	67 323	(254)	
Supplies and services	6	43 780	50 310	(6 530)	1
Depreciation and amortisation expense	7	3 536	3 870	(334)	
Net loss from disposal of non-current assets	8	354	329	25	
Other expenses	9	-	386	(386)	
Total expenses		114 739	122 218	(7 479)	
Income					
Revenues from fees and charges	10	63 688	57 425	(6 263)	
Other income	11	1 063	4 144	3 081	
Total income		64 751	61 569	(3 182)	
Net cost of providing services		(49 988)	(60 649)	(10 661)	2
Revenues from/payments to SA Government					
Revenues from SA Government	12	55 641	72 435	16 794	3
Total revenue from SA Government		55 641	72 435	16 794	
Net result		5 653	11 786	6 133	4

	Original budget	Actual	Variance	Variance explanation
	2017	2017	2017	
	\$'000	\$'000	\$'000	
Investing expenditure summary				
Total new projects	7 169	10 092	(2 923)	
Total annual program	3 842	4 260	(418)	
Total investing expenditure	11 011	14 352	(3 341)	

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 the line items in the financial statements. However the amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes.

Notes to and forming part of the financial statements

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

Variance explanations

1 Supplies and services

An additional \$6.530 million in Supplies and Services expense is primarily due to budget adjustments processed to the Department after the original budget was published. These adjustments are reflected in the Department's revised budget for 2016-17. The variance is primarily attributable to additional Supplies and Services budget for the Commercial Projects Branch specifically in legal, contractors and consultants expenditure (\$9.568 million) and the establishment of the Compulsory Third Party Insurance Reform branch (\$2.376 million), offset by a delay in the transfer of the Office of the Valuer-General to the department which was originally budgeted \$5.078 million in Supplies and Services for 2016-17.

2 Net cost of providing services

The Department's net cost of providing services deteriorated by \$10.661 million which is primarily due to increased Supplies and Services expenditure associated with approved budget adjustments post the original budget, in conjunction with an unfavourable result in Revenues from fees and charges associated with an under recovery of service level agreement revenue for cost recovery from SuperSA, SAFA and CTPIRO branch.

3 Revenues from Government

An additional \$16.794 million in Revenue from SA Government was received in 2016-17 over the original budget primarily attributable to the Commercial Projects Branch to fund specific projects and initiatives of the Department.

4 Net result

The Department's actual net result against the original budget improved by \$6.133 million. This is primarily attributable to the additional Revenue from Government, offset by additional Supplies and Services expenditure associated with approved budget adjustments post the original budget in 2016-17.

27 Financial instruments/financial risk management

27.1 Financial risk management

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

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

27.2 Categorisation of financial instruments

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

Notes to and forming part of the financial statements

27 Financial instruments/financial risk management (continued)

2017

Category of financial asset and financial liability	Statement of Financial Position line item	Note	Carrying amount	Fair value
			2017 \$'000	2017 \$'000
Financial assets				
Cash and cash equivalents	Cash and cash equivalents	13, 24	20 346	20 346
Receivables ⁽¹⁾⁽²⁾	Receivables	14	1 532	1 532
	Total financial assets		21 878	21 878
Financial liabilities				
Financial liabilities at cost ⁽¹⁾	Payables	18	5 374	5 374
	Total financial liabilities		5 374	5 374

2016

Category of financial asset and financial liability	Statement of Financial Position line item	Note	Carrying amount	Fair value
			2016 \$'000	2016 \$'000
Financial assets				
Cash and cash equivalents	Cash and cash equivalents	13, 24	10 331	10 331
Receivables ⁽¹⁾⁽²⁾	Receivables	14	748	748
	Total financial assets		11 079	11 079
Financial liabilities				
Financial liabilities at cost ⁽¹⁾	Payables	18	4 076	4 076
	Total financial liabilities		4 076	4 076

⁽¹⁾ Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. All amounts recorded are carried at cost (not materially different from amortised cost).

⁽²⁾ Excludes prepayments which do not meet the definition of a financial asset as per AASB 132.

Fair value

The Department does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair value due to the short term nature of these. Refer to notes 14 and 18.

Notes to and forming part of the financial statements**27 Financial instruments/financial risk management (continued)****Credit risk**

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

The Department has minimal concentration of credit risk. The Department does not engage in hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit ratings. The Department does not hold any collateral as security on any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer to note 14 for information on the allowance for impairment in relation to receivables.

The following table discloses the ageing of financial assets, past due, including impaired assets past due.

27.3 Ageing analysis of financial assets

	Past due by			
	Overdue for < 30 days \$'000	Overdue for 30 – 60 days \$'000	Overdue for > 60 days \$'000	Total \$'000
2017				
Not impaired				
Receivables ⁽¹⁾	8	1	61	70
Impaired				
Receivables	-	-	(3)	(3)
Total	8	1	58	67
2016				
Not impaired				
Receivables ⁽¹⁾	4	8	8	20
Impaired				
Receivables	-	-	-	-
Total	4	8	8	20

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

Liquidity risk

Liquidity risk arises from the possibility that the Department is unable to meet its financial obligations as they fall due. The Department is funded principally from appropriation by the SA Government. The Department determines the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in table 27.4 represents the Department's maximum exposure to liquidity risk.

Notes to and forming part of the financial statements

27 Financial instruments/financial risk management (continued)

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

27.4 Maturity analysis of financial assets and liabilities

	Carrying amount \$'000	Contractual Maturities		
		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000
2017				
Financial assets				
Cash and cash equivalents	20 346	20 346	-	-
Receivables	1 532	1 532	-	-
Total financial assets	21 878	21 878	-	-

Financial liabilities				
Payables	5 374	5 374	-	-
Total financial liabilities	5 374	5 374	-	-

	Carrying amount \$'000	Contractual Maturities		
		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000
2016				
Financial assets				
Cash and cash equivalents	10 331	10 331	-	-
Receivables	748	748	-	-
Total financial assets	11 079	11 079	-	-

Financial liabilities				
Payables	4 076	4 076	-	-
Total financial liabilities	4 076	4 076	-	-

Market risk

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities. The Department's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

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

Sensitivity disclosure analysis

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

28 Events after the end of the reporting period

All employees employed in the business unit known as the State Valuation Office /Office of Valuer-General transferred from the Department of Planning, Transport and Infrastructure to DTF on 1 July 2017 as proclaimed on the South Australian Gazette dated 18 July 2017.

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

	Note	2017 \$'000	2016 \$'000
Expenses			
Employee benefits expenses	30	475 751	431 325
Supplies and services	31	55 554	55 341
Borrowing costs	32	245 386	275 292
Grants, subsidies and transfers	33	2 873 217	2 641 907
Depreciation and amortisation expenses	34	167	131
Other expenses	35	438 858	96 232
Payments to SA Government	40	11 006 249	10 392 611
Total expenses		15 095 182	13 892 839
Income			
Taxation	36	4 083 455	3 691 691
Commonwealth revenues	37	8 312 215	7 650 542
Dividends	38	169 129	288 612
Interest revenues	39	80 181	77 191
Revenues from SA Government	40	1 490 069	1 649 099
Grants and contributions	41	98 562	84 617
Revenues from fees and charges	42	132 853	124 455
Other revenues	43	731 387	370 774
Total income		15 097 851	13 936 981
Net result		2 669	44 142
Net result and total comprehensive result		2 669	44 142

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 Administered Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	44	1 026 952	1 353 109
Receivables	45	8 353	8 245
Other financial assets	46	7 560	4 000
Non-current assets held for sale	47	-	557
Total current assets		1 042 865	1 365 911
Non-current assets			
Receivables	45	6	6
Other financial assets	46	10 172	1 733
Property, plant and equipment	48	1 740	1 224
Intangible assets	49	325	325
Total non-current assets		12 243	3 288
Total assets		1 055 108	1 369 199
Current liabilities			
Payables	51	740 748	1 042 898
Employee benefits	52	1 476	1 494
Provisions	53	149	159
Other liabilities	54	25	8 225
Total current liabilities		742 398	1 052 776
Non-current liabilities			
Payables	51	31 940	38 379
Employee benefits	52	1 378	1 205
Provisions	53	253	344
Other liabilities	54	630	655
Total non-current liabilities		34 201	40 583
Total liabilities		776 599	1 093 359
Net assets		278 509	275 840
Equity			
Accumulated surplus		277 874	275 205
Asset revaluation surplus		635	635
Total equity		278 509	275 840

The total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	55
Contingent assets and liabilities	56

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

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

	Asset revaluation surplus \$'000	Accumulated surplus/ (deficit) \$'000	Total Equity \$'000
Balance at 30 June 2015	635	231 063	231 698
Total comprehensive result for 2015-16	-	44 142	44 142
Balance at 30 June 2016	635	275 205	275 840
Total comprehensive result for 2016-17	-	2 669	2 669
Balance at 30 June 2017	635	277 874	278 509

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 Administered Cash Flows
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash inflows			
Taxation received		4 083 455	3 691 691
Receipts from Commonwealth		8 312 215	7 650 542
Dividends		162 183	265 962
Interest received		80 181	77 191
Receipts from SA Government		1 490 069	1 649 099
Grants and contributions		98 562	84 617
Fees and charges		157 856	122 709
GST recovered from Australian Taxation Office		-	764
Receipts for Paid Parental Leave Scheme		60	26
Other receipts		733 216	368 462
Cash generated from operations		15 117 797	13 911 063
Cash outflows			
Payments to SA Government		(11 305 502)	(10 170 193)
Employee benefit payments		(474 362)	(430 378)
Payments for supplies and services		(66 940)	(46 786)
Interest payments		(245 386)	(275 292)
Grants, subsidies and transfers		(2 876 794)	(2 648 460)
GST paid to the ATO		(24 211)	-
Payments for Paid Parental Leave Scheme		(66)	(22)
Other payments		(438 111)	(93 661)
Cash used in operations		(15 431 372)	(13 664 792)
Net cash provided by (used in) operating activities	57b	(313 575)	246 271
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(126)	(220)
Cash used in investing activities		(126)	(220)
Net cash used in investing activities		(126)	(220)
Cash flows from financing activities			
Cash inflows			
Proceeds from other financial assets		35	354
Cash generated from financing activities		35	354
Cash outflows			
Other financial assets granted		(12 491)	(5 470)
Cash used in financing activities		(12 491)	(5 470)
Net cash provided by (used in) financing activities		(12 456)	(5 116)
Net increase (decrease) in cash and cash equivalents		(326 157)	240 935
Cash and cash equivalents at the beginning of the period		1 353 109	1 112 174
Cash and cash equivalents at the end of the period	57a	1 026 952	1 353 109

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

Disaggregated Disclosures - Administered Expenses and Income
for the year ended 30 June 2017

	Administered Items on behalf of		Commonwealth Mirror Taxes on		Community Development Fund	
	the Consolidated Account	Commonwealth Places Revenue	Account	Commonwealth Places Revenue	Community Development Fund	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses						
Employee benefits expenses	368	337	-	-	-	-
Supplies and services	-	-	-	-	-	-
Borrowing costs	-	-	-	-	-	-
Grants, subsidies and transfers	37 908	36 943	-	-	20 000	20 000
Depreciation and amortisation expenses	-	-	-	-	-	-
Other expenses	-	-	28 075	25 136	-	-
Payments to SA Government	10 692 747	10 105 334	-	-	-	-
Total administered expenses	10 731 023	10 142 614	28 075	25 136	20 000	20 000
Income						
Taxation	3 729 089	3 346 318	-	-	-	-
Commonwealth revenues	6 235 550	5 950 172	28 075	25 136	-	-
Dividends	162 183	265 963	-	-	-	-
Interest revenues	78 679	75 863	-	-	-	-
Revenues from SA Government	36 706	35 518	-	-	-	-
Grants and contributions	-	-	-	-	20 000	20 000
Revenues from fees and charges	132 400	124 011	-	-	-	-
Other revenues	356 416	344 769	-	-	-	-
Total administered income	10 731 023	10 142 614	28 075	25 136	20 000	20 000
Net result	-	-	-	-	-	-

Disaggregated Disclosures - Administered Expenses and Income
for the year ended 30 June 2017

	Community Emergency Services Fund		Country Equalisation Scheme Account		ETSA Sales/Lease Proceeds Account	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses						
Employee benefits expenses	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-
Borrowing costs	-	-	-	-	-	-
Grants, subsidies and transfers	248 000	232 308	-	-	-	-
Depreciation and amortisation expenses	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-
Total administered expenses	248 000	232 308	-	-	-	-
Income						
Taxation	208 293	196 971	-	-	-	-
Commonwealth revenues	-	-	-	-	-	-
Dividends	-	-	-	-	6 946	22 649
Interest revenues	120	121	246	319	-	-
Revenues from SA Government	-	-	-	-	-	-
Grants and contributions	39 636	34 139	-	-	-	-
Revenue from fees and charges	452	442	-	-	-	-
Other revenues	-	-	-	-	-	-
Total administered income	248 501	231 673	246	319	6 946	22 649
Net result	501	(635)	246	319	6 946	22 649

Disaggregated Disclosures - Administered Expenses and Income
for the year ended 30 June 2017

	Hospitals Fund		Housing Loans Redemption Fund		Intergovernmental Agreement on Federal Financial Relations	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses						
Employee benefits expenses	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-
Borrowing costs	-	-	-	-	-	-
Grants, subsidies and transfers	-	-	-	-	2 058 314	1 697 758
Depreciation and amortisation expenses	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Payments to SA Government	144 115	146 639	-	-	-	-
Total administered expenses	144 115	146 639	-	-	2 058 314	1 697 758
Income						
Taxation	144 115	146 639	-	-	-	-
Commonwealth revenues	-	-	-	-	2 048 590	1 675 234
Dividends	-	-	-	-	-	-
Interest revenues	-	-	262	244	-	-
Revenues from SA Government	-	-	-	-	-	-
Grants and contributions	-	-	-	-	-	-
Revenues from fees and charges	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-
Total administered income	144 115	146 639	262	244	2 048 590	1 675 234
Net result	-	-	262	244	(9 724)	(22 524)

Disaggregated Disclosures - Administered Expenses and Income
for the year ended 30 June 2017

	Industry Financial Assistance Account (IFAA)		Local Government Disaster Fund		Local Government Taxation Equivalents Fund	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses						
Employee benefits expenses	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-
Borrowing costs	-	-	-	-	-	-
Grants, subsidies and transfers	2 195	(5 805)	1 206	64	2 620	2 130
Depreciation and amortisation expenses	-	-	-	-	-	-
Other expenses	(30)	2 429	-	-	-	-
Payments to SA Government	-	-	-	-	-	-
Total administered Expenses	2 165	(3 376)	1 206	64	2 620	2 130
Income						
Taxation	-	-	-	-	1 958	1 763
Commonwealth revenues	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Interest revenues	404	39	424	547	9	6
Revenues from SA Government	-	-	-	-	-	-
Grants and contributions	15 237	7 515	-	-	-	-
Revenues from fees and charges	-	-	-	-	-	-
Other revenues	(488)	2 312	-	-	657	357
Total administered Income	15 153	9 866	424	547	2 624	2 126
Net result	12 988	13 242	(782)	483	4	(4)

Disaggregated Disclosures - Administered Expenses and Income
for the year ended 30 June 2017

	Support Services to Parliamentarians		Treasury and Finance Administered Items Account		Treasurer's Interest in the National Wine Centre Account	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses						
Employee benefits expenses	17 483	17 188	457 900	413 800	-	-
Supplies and services	6 352	6 013	48 838	48 888	356	434
Borrowing costs	-	-	245 386	275 292	-	-
Grants, subsidies and transfers	-	1	502 974	658 508	-	-
Depreciation and amortisation expenses	94	100	42	-	31	31
Other expenses	-	1	24 682	56 911	-	-
Payments to SA Government	-	-	169 387	140 638	-	-
Total administered expenses	23 929	23 303	1 449 209	1 594 037	387	465
Income						
Taxation	-	-	-	-	-	-
Commonwealth revenues	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Interest revenues	-	-	-	-	-	-
Revenues from SA Government	-	-	1 453 363	1 613 581	-	-
Grants and contributions	23 689	22 963	-	-	-	-
Revenues from fees and charges	1	2	-	-	-	-
Other revenues	56	8	65	73	25	25
Total administered income	23 746	22 973	1 453 428	1 613 654	25	25
Net result	(183)	(330)	4 219	19 617	(362)	(440)

Disaggregated Disclosures - Administered Expenses and Income
for the year ended 30 June 2017

	Treasury Working Account		Treasury Asset Management Account		CIMR Transitional Arrangement Accounts	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses						
Employee benefits expenses	-	-	-	-	-	-
Supplies and services	-	-	8	6	-	-
Borrowing costs	-	-	-	-	-	-
Grants, subsidies and transfers	-	-	-	-	-	-
Depreciation and amortisation expenses	-	-	-	-	-	-
Other expenses	264 645	11 755	-	-	121 486	-
Payments to SA Government	-	-	-	-	-	-
Total administered expenses	264 645	11 755	8	6	121 486	-
Income						
Taxation	-	-	-	-	-	-
Commonwealth revenues	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Interest revenues	-	-	37	52	-	-
Revenues from SA Government	-	-	-	-	-	-
Grants and contributions	-	-	-	-	-	-
Revenues from fees and charges	-	-	-	-	-	-
Other revenues	264 645	11 755	-	1	110 011	11 475
Total administered income	264 645	11 755	37	53	110 011	11 475
Net result	-	-	29	47	(11 475)	11 475

Disaggregated Disclosures - Administered Expenses and Income
for the year ended 30 June 2017

	Total	
	2017	2016
	\$'000	\$'000
Expenses		
Employee benefits expenses	475 751	431 325
Supplies and services	55 554	55 341
Borrowing costs	245 386	275 292
Grants, subsidies and transfers	2 873 217	2 641 907
Depreciation and amortisation expenses	167	131
Other expenses	438 858	96 232
Payments to SA Government	11 006 249	10 392 611
Total administered expenses	15 095 182	13 892 839
Income		
Taxation	4 083 455	3 691 691
Commonwealth revenues	8 312 215	7 650 542
Dividends	169 129	288 612
Interest revenues	80 181	77 191
Revenues from SA Government	1 490 069	1 649 099
Grants and contributions	98 562	84 617
Revenues from fees and charges	132 853	124 455
Other revenues	731 387	370 774
Total administered income	15 097 851	13 936 981
Net result	2 669	44 142

29 Overview of Administered Financial Statements including Summary of Accounting Policies

The Administered financial statements include the revenues, expenses, assets and liabilities which the Department administers on behalf of the SA Government but does not control. All the transactions for the special deposit accounts established under Section 8 of the *Public Finance and Audit Act 1987* and deposit accounts established under Section 21 of the *Public Finance and Audit Act 1987* that are administered by the Department are listed below:

Activity 1: Administered Items on behalf of the Consolidated Account

The purpose of the account is to record a number of revenue and expense transactions on behalf of the South Australian Government for the Consolidated Account. Such transactions include the collection of revenues from taxation, revenues from the Commonwealth Government, dividends and interest. The expense transactions include transfers to agencies for employee entitlements and supplies and services; grants and subsidies to public sector agencies, the private sector and the community; and the transfer of revenues to the Consolidated Account. The associated Statement of Financial Position items for the Consolidated Account such as loans and borrowings are recognised in the whole-of-government general purpose financial report.

Activity 2: Commonwealth Mirror Taxes on Commonwealth Places Revenue Account

The purpose of the account is to receive amounts that are levied pursuant to the *Commonwealth Places (Mirror Taxes) Act 1998* of the Commonwealth and *Commonwealth Places (Mirror Taxes Administration) Act 1999* of the State.

Activity 3: Community Development Fund

The purpose of the fund is to administer annual payments under the *Gaming Machines Act 1992*. Payments are made in accordance with the directions of the Governor towards financial assistance for non-government welfare agencies, financial assistance for community development and the provision of government health, welfare or education services, as well as towards programs of benefit to the live music industry.

Activity 4: Community Emergency Services Fund

The purpose of the fund is to record all fixed property revenue from the Emergency Services Levy collected by RevenueSA and transferred to the community emergency services fund administered by the South Australian Fire and Emergency Services Commission.

Activity 5: Country Equalisation Scheme Account

The purpose of the account is to record injections of funds provided from the Consolidated Account, and to make 'refund payments' to electricity retailers in accordance with the Country Equalisation Scheme.

Activity 6: ETSA Sales/Lease Proceeds Account

The purpose of the account is to receive proceeds of a sale/lease agreement, sale or lease under the *Electricity Corporations (Restructuring and Disposal) Act 1999* and other funds as approved by the Treasurer.

Activity 7: Hospitals Fund

The purpose of the fund is to record and transfer monies received from SA Lotteries Commission operations and stamp duty on insurance policies relating to motor vehicles to the Consolidated Account to be used for the provision, maintenance, development and improvement of public hospitals.

Activity 8: Housing Loans Redemption Fund

The purpose of the fund is to record interest received payments.

Activity 9: Intergovernmental Agreement on Federal Financial Relations

The purpose of the account is to receive monies from the Commonwealth Government and disburse the monies to agencies pursuant to the Intergovernmental Agreement on Federal Financial Relations for the National Specific Purpose Program (SPP) purposes listed in Schedule F of that Agreement and for the National Partnership Payments (NPP) for the purposes listed in Schedule G of that Agreement.

Activity 10: Industry Financial Assistance Account (IFAA)

The account was established to assist with the accounting for the industry assistance contracts written in the name of the Treasurer. SAFA is responsible for administering the IFAA on behalf of the Treasurer.

**29 Overview of Administered Financial Statements including Significant Accounting Policies
(continued)**

Activity 11: Local Government Disaster Fund

The purpose of the fund is to record the cost of providing assistance to local authorities which face unusually high expenditures as a result of natural disasters. Assistance may be of an investigative, preventative, remedial, insurance, compensatory or other nature and may include funding of insurance or other commercial schemes.

Activity 12: Local Government Taxation Equivalents Fund

The account was established to record receipts of tax equivalents from the Local Government Finance Authority and payments to the Local Government Association of South Australia as stipulated under the *Local Government Finance Authority Act 1983*.

*Activity 13: Market Projects Unit**

The purpose of the account is to receive deposits from the sale of government assets.

Activity 14: Support Services to Parliamentarians

The purpose of the account is to record the financial transactions related to the administration of Support Services to Parliamentarians.

*Activity 15: Minister for Finance - Super SA Select**

The purpose of the account is to administer receipts and payments for the Commonwealth Low Income Superannuation Contribution.

Activity 16: Treasury and Finance Administered Items Account

The purpose of the account is to receive administered items appropriation for the Department pursuant to the annual Appropriation Act and to disburse the associated payments.

Activity 17: Treasurer's Interest in the National Wine Centre Account

The purpose of account is to record all of the financial transactions associated with the management of the *National Wine Centre (Restructuring and Leasing Arrangements) Act 2002* including injections of funds from the Consolidated Account.

Activity 18: Treasury Working Account

The purpose of the account is to record receipts and payments for small lotteries, receipts and payments arising from various superannuation arrangements, interest receipts and payments, to effect accounting adjustments and transfers and to hold amounts in suspense pending determination of appropriate treatment. This account is also used to process certain transactions of a whole of government nature or relating to the activities of the Treasurer.

Activity 19: Treasury Asset Management Account

The purpose of the account is to manage and administer the unclaimed customer deposits of the former State Bank of South Australia as well as other residual activities (dividends receipts).

Activity 20: CIMR Transitional Arrangement Accounts

The purpose of the accounts is to record all transitional activities associated with the Compulsory Third party Insurance Market Reforms (CIMR), including the receipt of premiums from the advanced renewal of CTP Policies on behalf of the 4 new private insurers who entered the South Australian CTP Market from 1 July 2016; receipt of novated premiums from the Motor Accident Commission (MAC) and other transitional activities. The insurers are not contractually entitled to receive the monies as at 30 June 2016.

* Deposit account and special deposit accounts with no transactions in the Statement of Comprehensive Income are not included in the disaggregated disclosure schedule.

29.1 Summary of Significant Accounting Policies

The Department's significant accounting policies are contained in note 2 'Significant Accounting Policies'. The policies outlined in note 2 apply to both the Department and Administered financial statements.

Notes to and forming part of the Administered financial statements

30 Employee benefits expenses

	2017	2016
	\$'000	\$'000
Superannuation contributions to various schemes*	457 900	413 800
Salaries and wages	13 949	13 021
Long service leave	226	569
Annual leave	991	1 026
Skills and experience retention leave	18	12
Employment on-costs - superannuation	1 377	1 364
Employment on-costs - other	813	794
Minister's salary, electorate and expense allowance	366	337
Other employee related expenses	111	402
Total employee benefits expenses	475 751	431 325

*These payments were made to support funding of the defined benefit superannuation liability for the Police Superannuation Scheme and the South Australia Superannuation Fund as part of the government's commitment to have all superannuation liabilities fully funded by 2034.

Remuneration of employees

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

	2017	2016
	Number of Employees	Number of Employees
\$147 001 to \$157 000	-	1
\$177 001 to \$187 000	1	1
\$407 001 to \$417 000	-	1
\$447 001 to \$457 000	1	-
Total number of employees	2	3

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payment in lieu of leave, superannuation contributions, fringe benefits, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was **\$634 000** (\$738 000).

Notes to and forming part of the Administered financial statements

31 Supplies and services

	2017	2016
	\$'000	\$'000
State's share of GST administration	48 113	47 850
Unclaimed monies	723	1 036
Accommodation and telecommunication	2 986	3 122
Information technology expenses	335	205
Minor works, maintenance and equipment	848	820
Legal costs	2	5
Consultants	6	-
Contractors and temporary staff	-	1
General administration and consumables	2 283	2 038
Other	258	264
Total supplies and services	55 554	55 341

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

	2017	2016	2017	2016
	Number	Number	\$'000	\$'000
Below \$10,000	3	-	6	-
Total paid/payable to the consultants engaged	3	-	6	-

32 Borrowing costs

	2017	2016
	\$'000	\$'000
Interest on borrowings	226 009	249 717
Interest paid on deposit accounts and other monies	19 377	25 575
Total borrowing costs	245 386	275 292

The Department pays interest on borrowings on behalf of the Treasurer but the debt is not recorded in the Statement of Administered Financial Position. It is disclosed in Statement J of the Treasurer's Statements as well as the Consolidated Financial report for government.

33 Grants, subsidies and transfers

	2017	2016
	\$'000	\$'000
Recurrent grants, subsidies and transfers	2 232 880	2 278 831
Capital grants, subsidies and transfers	640 337	363 076
Total grants, subsidies and transfers	2 873 217	2 641 907

Notes to and forming part of the Administered financial statements

34 Depreciation and amortisation expense

	2017 \$'000	2016 \$'000
Depreciation		
Buildings	73	31
Total depreciation	73	31
Amortisation		
Building fit-outs	94	100
Total amortisation	94	100
Total depreciation and amortisation expense	167	131

35 Other expenses

	2017 \$'000	2016 \$'000
Refunds and remissions	19 115	52 784
Payments to Commonwealth Government	28 075	25 136
Bad debts	1 203	141
Doubtful debts	(1 233)	(82)
Repayment of borrowings	3 860	3 930
Loans forgiven	-	2 371
Transitional CTP Premiums	121 486	-
DPTI - Highways Fund*	259 400	-
Other	6 952	11 952
Total other expenses	438 858	96 232

*Under the reforms to the Compulsory Third Party Insurance market, four private insurers were approved to write CTP premiums in South Australia from 1 July 2016. Each insurer has paid a fee (Private insurer approval fee) for an initial market share. The fees collected by DTF were paid to the DPTI- Highways Fund in the same reporting period.

36 Taxation

	2017 \$'000	2016 \$'000
Stamp duties - Conveyances on sale of property	859 915	920 561
Stamp duties - General insurance	175 845	176 707
Stamp duties - Motor vehicles registrations	169 005	158 949
Stamp duties - Other	297 892	303 260
Commonwealth Places Mirror - stamp duties	768	284
Payroll tax	1 380 410	1 340 958
Commonwealth Places Mirror - payroll tax	24 149	23 442
Land tax*	769 319	351 338
Commonwealth Places Mirror - land tax	1 247	1 409
Emergency Services levy	208 293	196 971
Local Government rate equivalents	3 139	235
Income tax equivalents	104 191	119 181
Contributions from Lotteries Commission of South Australia	73 376	78 178
Hindmarsh Island Bridge levy	40	25
Casino Duty	15 866	20 193
Total taxation	4 083 455	3 691 691

Notes to and forming part of the Administered financial statements

36 Taxation (continued)

*The increase in land tax is primarily due to delays in billing for the 2015-16 financial year, which has resulted in two years worth of land tax being received and recognised for certain taxpayers in 2016-17.

37 Commonwealth revenues

	2017 \$'000	2016 \$'000
Commonwealth general purpose grants		
GST revenue grants	5 920 240	5 613 934
Commonwealth Places Mirror taxes	28 075	25 136
Total Commonwealth general purpose grants	5 948 315	5 639 070
Commonwealth specific purpose grants		
Council of Australian Governments Funding arrangements	315 310	336 238
Intergovernmental Agreement on Federal Financial Relations - Recurrent	1 541 068	1 476 911
Intergovernmental Agreement on Federal Financial Relations - Capital	507 522	198 323
Total Commonwealth specific purpose grants	2 363 900	2 011 472
Total Commonwealth revenues	8 312 215	7 650 542

38 Dividends

	2017 \$'000	2016 \$'000
Adelaide Venue Management	1 600	1 583
Generation Lessor Corporation	6 946	22 649
Generation Lessor Corporation - Alinta Energy	2 900	-
Homestart Finance	7 115	11 466
Renewal SA	2 059	7 199
Public Trustee Office	59	227
SA Water Corporation	121 829	204 918
South Australian Government Employee Residential Property	-	1 706
Forestry SA	3 571	-
South Australian Government Financing Authority	23 050	38 864
Total dividends	169 129	288 612

39 Interest revenues

	2017 \$'000	2016 \$'000
Interest	80 181	77 191
Total interest revenues	80 181	77 191

Notes to and forming part of the Administered financial statements

40 Revenues from/Payments to SA Government

	2017	2016
	\$'000	\$'000
Revenues from SA Government		
Appropriations from the Consolidated Account pursuant to the <i>Appropriation Act</i>	1 453 363	1 613 581
Appropriations under other acts	36 706	35 518
Total revenues from SA Government	1 490 069	1 649 099
Payments to SA Government		
Transfer of revenue received on behalf of the Consolidated Account	10 692 747	10 105 334
Other payments to the Consolidated Account	144 115	146 639
Return of surplus cash pursuant to Cash Alignment Policy	169 387	140 638
Total payments to SA Government	11 006 249	10 392 611

41 Grants and contributions

	2017	2016
	\$'000	\$'000
Grants and contributions	98 562	84 617
Total grants and contributions	98 562	84 617

42 Revenues from fees and charges

	2017	2016
	\$'000	\$'000
Guarantee fees	132 400	124 011
Support Services to Parliamentarians	1	2
Other recoveries	452	442
Total revenues from fees and charges	132 853	124 455

43 Other revenues

	2017	2016
	\$'000	\$'000
Repayment of advances	6 893	8 038
Return of cash to Consolidated Account - cash alignment policy	243 178	291 790
Return of capital	71 208	15 610
Return of deposit account balances	546	544
Essential Services Commission of SA	12 917	7 529
Support Services to Parliamentarians	691	364
Recoveries DPTI - Indentured Ports	655	11 793
Transitional CTP Premiums Collected	110 011	11 475
Private insurer approval fee*	259 400	-
Other income	25 888	23 631
Total other revenues	731 387	370 774

*Refer to Note 35

Notes to and forming part of the Administered financial statements

44 Cash and cash equivalents

	2017 \$'000	2016 \$'000
Deposits with the Treasurer	993 069	1 298 430
Promissory notes	21 819	23 304
DTF Loans Administration Account	12 064	31 375
Total cash and cash equivalents	1 026 952	1 353 109

Promissory notes

The Treasurer holds Promissory notes on behalf of the Local Government Disaster Fund where the cash balance of the fund is not immediately required to fund Local Government costs relating to disasters. It is invested with the Local Government Finance Authority of South Australia for periods of three months. Promissory notes earn interest at their respective promissory note rates.

Interest rate risk

Some deposit accounts with the Treasurer earn a floating interest rate based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

45 Receivables

	2017 \$'000	2016 \$'000
Current		
Receivables	535	1 235
Allowance for doubtful debts	-	(1 235)
Accrued revenues	7 376	8 957
GST input tax recoverable	442	(712)
Total current receivables	8 353	8 245
Non-current		
Receivables	6	6
Total non-current receivables	6	6
Total receivables	8 359	8 251

Movement in the Allowance for doubtful debts

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

The following table shows the movements in the allowance for doubtful debts (impairment loss):

	2017 \$'000	2016 \$'000
Carrying amount at the beginning of the period	1 235	1 317
Movement in the allowance	(1 235)	(82)
Carrying amount at the end of the period	-	1 235

Notes to and forming part of the Administered financial statements

45 Receivables (continued)

Interest rate and credit risk

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

Other than recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand.

There is no concentration of credit risk.

Ageing analysis of financial assets - refer to table 60.3 in note 60.

Financial risk management/Financial instruments information - refer to note 60.

46 Other financial assets

	2017 \$'000	2016 \$'000
Current		
Loans for financial assistance	7 560	4 000
Total current other financial assets	7 560	4 000
Non Current		
Loans for financial assistance	10 172	1 733
Total non-current other financial assets	10 172	1 733
Total other financial assets	17 732	5 733

Ageing analysis of financial assets and liabilities - refer to table 60.3 in note 60.

Financial risk management/Financial instruments information - refer to note 60.

47 Non-current assets held for sale

	2017 \$'000	2016 \$'000
Land	-	145
Building and improvements	-	412
Total non-current assets held for sale	-	557

Notes to and forming part of the Administered financial statements

48 Property, plant and equipment

	2017	2016
	\$'000	\$'000
Buildings		
At valuation	1 384	972
Accumulated depreciation	(167)	(94)
Total buildings	1 217	878
Building fitouts		
At cost	1 919	1 873
Accumulated amortisation	(1 738)	(1 686)
Total building fitouts	181	187
Land		
At valuation	203	58
Total land	203	58
Work in progress		
At cost	139	101
Total work in progress	139	101
Total property, plant and equipment	1 740	1 224

Valuation of Non-Current Assets

A valuation of the land and buildings for the National Wine Centre was performed by Mr Fred Taormina, B.App.Sc. (Val.) A.A.P.I. of VALCORP as at 30 June 2013. The revaluation involved discounting to net present value of the National Wine Centre land and buildings at the termination of the 40 year lease arrangement with Adelaide University. A revaluation surplus of \$635 000 is held for the revalued land and building. The next revaluation is scheduled for 30 June 2019.

Notes to and forming part of the Administered financial statements**48 Property, plant and equipment (continued)****Reconciliation of property, plant and equipment**

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

	Land \$'000	Buildings \$'000	Building fitouts \$'000	Work in progress \$'000	Total \$'000
Carrying amount at the beginning of the period	58	878	187	101	1 224
Additions	-	-	88	38	126
Asset reclassified from assets held for sale	145	412	-	-	557
Depreciation and amortisation expense	-	(73)	(94)	-	(167)
Carrying amount at the end of the period	203	1 217	181	139	1 740

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

	Land \$'000	Buildings \$'000	Building fitouts \$'000	Work in progress \$'000	Total \$'000
Carrying amount at the beginning of the period	58	909	143	25	1 135
Additions	-	-	-	220	220
Transfers in/out of WIP	-	-	144	(144)	-
Depreciation and amortisation expense	-	(31)	(100)	-	(131)
Carrying amount at the end of the period	58	878	187	101	1 224

49 Intangible assets

	2017 \$'000	2016 \$'000
Water licences		
At cost	325	325
Total water licences	325	325
Total Intangible assets	325	325

Water licences transferred to the Treasurer as part of the forward sale of the State's Green Triangle Forest Plantations in 2012. These water licences were retained by the Treasurer after finalising the lease arrangements with OneFortyOne Plantations Pty Ltd.

Reconciliation of Intangible Assets

There has been no movement in Intangibles.

Notes to and forming part of the Administered financial statements

50 Fair value measurement**Fair Value Hierarchy**

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

	Level 3	Total
	\$'000	\$'000
Recurring fair value measurements 30 June 2017		
Buildings (note 48)	1 217	1 217
Building fitouts (note 48)	181	181
Land (note 48)	203	203
Total recurring fair value measurements	1 601	1 601
	Level 3	Total
	\$'000	\$'000
Recurring fair value measurements 30 June 2016		
Buildings (note 48)	878	878
Building fitouts (note 48)	187	187
Land (note 48)	58	58
Total recurring fair value measurements	1 123	1 123
Non- recurring fair value measurements		
Buildings held for sale (note 47)	412	412
Land held for sale (note 47)	145	145
Total non-recurring fair value measurements	557	557
Total	1 680	1 680

There were no transfers of assets into or out of the level 3 hierarchy in 2017. The Department's policy is to recognise transfers into or out of fair value hierarchy levels as at the end of reporting period.

Valuation techniques and inputs

All property, plant and equipment is recognised at cost less accumulated depreciation.

In accordance with APF III 'Asset Accounting Framework', property, plant and equipment is only revalued when its fair value at acquisition date exceeds \$1 million and its estimated useful life is greater than 3 years.

Estimates of residual value and useful life used to calculate accumulated depreciation are not based on observable market data. For this reason all property, plant and equipment is categorised into level 3.

There were no changes in valuation techniques during 2017.

Notes to and forming part of the Administered financial statements

50 Fair value measurement (continued)

Reconciliation of recurring fair value measurements - Level 3 as at 30 June 2017

Fair value measurements at 30 June 2017	Buildings \$'000	Building Fitouts \$'000	Land \$'000
Opening balance at the beginning of the period	878	187	58
Acquisitions	412	88	145
Subtotal	1 290	275	203
Depreciation	(73)	(94)	-
Carrying amount at the end of the period	1 217	181	203

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

Fair value measurements at 30 June 2016	Buildings \$'000	Building Fitouts \$'000	Land \$'000
Opening balance at the beginning of the period	909	143	58
Acquisitions	-	144	-
Subtotal	909	287	58
Depreciation	(31)	(100)	-
Carrying amount at the end of the period	878	187	58

51 Payables

	2017 \$'000	2016 \$'000
Current		
Creditors - electricity entities lease proceeds	6 455	6 946
Creditors - revenue received on behalf of the Consolidated Account	711 288	1 010 541
Creditors - other	8 280	15 117
Accrued expenses	14 356	9 995
Employment on-costs	369	293
Paid parental leave scheme payable	-	6
Total current payables	740 748	1 042 898
Non-current		
Creditors - electricity entities lease proceeds	28 812	35 267
Employment on-costs	127	111
Creditors - other	2 501	2 501
Super SA Select Loan	500	500
Total non-current payables	31 940	38 379
Total payables	772 688	1 081 277

Notes to and forming part of the Administered financial statements**51 Payables (continued)**

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

Interest rate and credit risk

Creditors are raised for all amounts billed but unpaid. Creditors are normally settled within 30 days of the invoice date provided the goods and services have been received. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non- interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand. In addition, there is no concentration of credit risk.

Maturity Analysis of Payables - refer to table 60.4 in note 60.

Categorisation of financial instruments and risk exposure information - refer to note 60.

52 Employee benefits

	2017 \$'000	2016 \$'000
Current		
Accrued salaries and wages	320	244
Annual leave	912	887
Long service leave	218	345
Skills and experience retention leave	26	18
Total current employee benefits	1 476	1 494
Non-current		
Long service leave	1 378	1 205
Total non-current employee benefits	1 378	1 205
Total employee benefits	2 854	2 699

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%.

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

The net financial effect of the changes in the financial year is a decrease in the long service leave liability of \$78 000 and employee benefits expense of \$78 000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

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

Notes to and forming part of the Administered financial statements**53 Provisions**

	2017 \$'000	2016 \$'000
Current		
Provision for workers' compensation	149	159
Total current provisions	149	159
Non-current		
Provision for workers' compensation	253	344
Total non-current provisions	253	344
Total provisions	402	503
Reconciliation of Provisions	2017 \$'000	2016 \$'000
Carrying amount at the beginning of the period	503	326
Payments/other sacrifices of future economic benefits	(63)	(349)
Increase/reduction in provisions recognised	(38)	526
Carrying amount at the end of the period	402	503

A liability has been recognised to reflect unsettled workers' compensation claims. The workers' compensation provision is based on an actuarial assessment performed by the Office for the Public Sector business unit of the Department of the Premier and Cabinet.

54 Other liabilities

	2017 \$'000	2016 \$'000
Current		
Unearned revenue	25	8 225
Total current other liabilities	25	8 225
Non-current		
Unearned revenue	630	655
Total non-current other liabilities	630	655
Total other liabilities	655	8 880

Unearned revenue relates to pre-paid lease income. Specifically, the Treasurer entered into an agreement with the University of Adelaide to lease land and buildings previously owned by the National Wine Centre over a 40 year period, for an upfront consideration of \$1 000 000 which has been recorded as unearned revenue and is being apportioned over the life of the lease.

Notes to and forming part of the Administered financial statements

55 Unrecognised contractual commitments

(a) Operating lease commitments

The Department as Lessee

At the reporting date, the Department has operating leases for office accommodation and motor vehicles.

Office accommodation is leased from the Department of Planning, Transport and Infrastructure. The leases are non-cancellable with terms ranging up to 6 years with some leases having right of renewal. Rent is payable in arrears.

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

	2017	2016
	\$'000	\$'000
Not later than one year	2 253	2 065
Later than one year but not later than five years	1 761	3 557
Total operating lease commitments	4 014	5 622

(b) Other commitments

The Department's other commitments primarily relate to distribution of Commonwealth funds to agencies in accordance with Schedule G of the Intergovernmental Agreement on Federal Financial Relations and Industry Assistance grants.

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

	2017	2016
	\$'000	\$'000
Not later than one year	21 351	37 380
Later than one year but not later than five years	4 833	11 205
Later than five years	-	350
Total other commitments	26 184	48 935

56 Contingent assets and liabilities

The following contingent assets and liabilities exist for the Administered Items:

Residual responsibilities for structural integrity of the National Wine Centre's buildings outside agreed maintenance regimes as required by the Memorandum of Lease - National Wine Centre. The lease expires in September 2043. The estimated maximum exposure of this liability is undefined.

On 26 November 2012 the State appointed Tatts Lotteries SA Pty Ltd (Tatts) as its exclusive Master Agent to operate SA Lotteries' brands and products for a term of 40 years, starting 11 December 2012. Under this arrangement the Lotteries Commission of South Australia is required to pay the Master Agent a master agency fee (payment obligation). The Treasurer has unconditionally and irrevocably guaranteed the performance by Lotteries Commission of South Australia of the payment obligation. The Treasurer has also indemnified the Master Agent against any cost, expense, loss or damage that the Master Agent may incur as a direct result of non-compliance by Lotteries Commission of South Australia with the payment obligation. The Treasurer's maximum aggregate liability to the Master Agent under this agreement is limited to an amount equal to the total quantum of Lotteries Commission of South Australia's liability to the Master Agent for the payment obligation.

Under an agreement between Osborne Cogeneration Pty Ltd and SAFA for the Osborne Generation Plant, SAFA has guaranteed the performance of certain obligations by two Origin Energy subsidiaries. SAFA in turn, is indemnified by Origin Energy for the performance of its subsidiaries and by the Treasurer for the performance of Origin Energy under this arrangement. The maximum exposure of the guarantee is estimated at \$200 million until December 2018.

Under the *Housing Loans Redemption Fund Act 1962* the Treasurer is committed to meet any shortfall in the fund from appropriated general revenue.

The Treasurer has indemnified SAFA against any profit or loss as a result of activities in the Insurance Fund 2 and Fund 3 portfolios. Given the nature of the activities in these funds, the Treasurer has approved that any operating profit before tax will be nil. This is achieved by negating the operating profit or loss with either a payable to or a receivable from the Treasurer. This policy resulted in a payable to the Treasurer of \$1.1million (\$11.9 million).

The Treasurer has agreed to indemnify the Export Finance and Insurance Corporation, the Commonwealth Government's export finance agency, for a guarantee of up to \$218.6 million (\$291 million) to external lenders to the Port Pirie Smelter Transformation Project being undertaken by Nyrstar.

Liabilities incurred or assumed by the Local Government Finance Authority are guaranteed by the Treasurer. The Treasurer's exposure at 30 June 2017 was \$645.6 million (\$664.7 million).

The Unlocking Capital for Jobs Program involves the Government of South Australia providing a partial guarantee for loans made by participating banks to South Australian small and medium enterprises that have expansion or transformation plans and have satisfied the participating bank's normal lending criteria other than the provision of sufficient collateral as security for the loan. The Treasurer's exposure at 30 June 2017 was \$1.9 million (\$3.5 million) out of the \$50 million program's limit.

The Treasurer unconditionally and irrevocably guarantees to each beneficiary the due and punctual payment and performance by the Adelaide Venue Management Corporation of the Corporation's obligations to that beneficiary.

The Treasurer has indemnified the fund of the Local Government Association (LGA) Mutual Liability Scheme for any admitted claim in the nature of a general liability that the LGA in respect of the Mutual Liability Scheme becomes legally liable to pay. For liability risks not covered under the State Government's liability reinsurance program, the indemnity is capped at \$50 million for any one such admitted claim. Any losses that exceed the State Government's liability reinsurance program limits and the \$50 million limit for liability risks not covered by the reinsurance program will be subject to separate negotiations between the LGA and the State Government.

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.

Notes to and forming part of the Administered financial statements**57 Cash flow reconciliation**

	2017 \$'000	2016 \$'000
(a) Reconciliation of Cash and Cash Equivalents at the end of the reporting period		
Statement of Cash Flows	1 026 952	1 353 109
Statement of Financial Position	<u>1 026 952</u>	<u>1 353 109</u>
(b) Reconciliation of net cash (used in) provided by operating activities to net result		
Net cash (used in) provided by operating activities	(313 575)	246 271
Add non cash items		
Depreciation and amortisation expense	(167)	(131)
Bad debts expense	(1 203)	(141)
Doubtful debts expenses	1 233	82
Discounted cash flow valuations for financial assistance loans - other income	(488)	2 312
Loans forgiven	-	(2 371)
Movements in assets / liabilities		
Increase/(decrease) in receivables	108	2 113
(Increase)/decrease in payables	308 590	(194 934)
(Increase)/decrease in employee benefits	(155)	(707)
(Increase)/decrease in provisions	101	(177)
(Increase)/decrease in other liabilities	<u>8 225</u>	<u>(8 175)</u>
Net result	<u>2 669</u>	<u>44 142</u>

Notes to and forming part of the Administered financial statements**58 Transactions with SA Government**

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

		SA Government		Non-SA Government		Total	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses							
Employee benefits expenses	30	-	794	475 751	430 531	475 751	431 325
Supplies and services	31	3 278	2 985	52 276	52 356	55 554	55 341
Borrowing costs	32	245 386	275 292	-	-	245 386	275 292
Grants, subsidies and transfers	33	2 821 609	2 541 089	51 608	100 818	2 873 217	2 641 907
Depreciation and amortisation expenses	34	-	-	167	131	167	131
Other expenses	35	386 672	4 327	52 186	91 905	438 858	96 232
Payments to SA Government	40	11 006 249	10 392 611	-	-	11 006 249	10 392 611
Total expenses		14 463 194	13 217 098	631 988	675 741	15 095 182	13 892 839
Income							
Taxation	36	929 026	572 278	3 154 429	3 119 413	4 083 455	3 691 691
Commonwealth revenues	37	-	-	8 312 215	7 650 542	8 312 215	7 650 542
Dividends	38	169 129	288 612	-	-	169 129	288 612
Interest revenues	39	75 330	71 767	4 851	5 424	80 181	77 191
Revenues from SA Government	40	1 490 069	1 649 099	-	-	1 490 069	1 649 099
Grants and Contributions	41	98 513	83 989	49	628	98 562	84 617
Revenue from fees and charges	42	132 400	123 470	453	985	132 853	124 455
Other revenues	43	453 856	348 736	277 531	22 038	731 387	370 774
Total income		3 348 323	3 137 951	11 749 528	10 799 030	15 097 851	13 936 981
Financial assets							
Cash and cash equivalents	44	1 026 952	1 353 109	-	-	1 026 952	1 353 109
Receivables	45	1 028	458	7 331	7 793	8 359	8 251
Other financial assets	46	-	-	17 732	5 733	17 732	5 733
Total financial assets		1 027 980	1 353 567	25 063	13 526	1 053 043	1 367 093
Financial liabilities							
Payables	51	759 778	1 061 971	12 910	19 306	772 688	1 081 277
Total financial liabilities		759 778	1 061 971	12 910	19 306	772 688	1 081 277

Notes to and forming part of the Administered financial statements**59 Budgetary reporting and explanations of major variances between budget and actual amounts**

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

Statement of Administered Comprehensive Income	Note	Original budget ¹	Actual	Variance	Variance Explanation
		\$'000	\$'000	\$'000	
Expenses					
Employee benefits expenses	30	(237 210)	475 751	(712 961)	1
Supplies and services	31	48 710	55 554	(6 844)	
Borrowing costs	32	675 249	245 386	429 863	
Grants, subsidies and transfers	33	1 299 760	2 873 217	(1 573 457)	2
Depreciation and amortisation expenses	34	-	167	(167)	
Other expenses	35	30 482	438 858	(408 376)	
Payments to SA Government	40	10 589 206	11 006 249	(417 043)	
Total expenses		12 406 197	15 095 182	(2 688 985)	
Income					
Taxation	36	3 708 837	4 083 455	374 618	
Commonwealth revenues	37	6 404 849	8 312 215	1 907 366	3
Dividends	38	148 083	169 129	21 046	
Interest revenues	39	103 604	80 181	(23 423)	
Revenues from SA Government	40	1 616 077	1 490 069	(126 008)	
Grants and contributions	41	-	98 562	98 562	
Revenues from fees and charges	42	139 158	132 853	(6 305)	
Other revenues	43	60 680	731 387	670 707	
Total income		12 181 288	15 097 851	2 916 563	
Net result		(224 909)	2 669	227 578	

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 the line items in the financial statements. However the amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes.

Notes to and forming part of the Administered financial statements

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

Variance Explanations:

1. Employee benefits

The unfavourable variance of \$713 million is primarily due to the original budget for employee benefits including the revaluation of unfunded superannuation liability (-\$238.7 million) with no actual revaluation recorded against employee benefits in the Statement of Administered Comprehensive Income. Employee benefits actual expenses also include the past service superannuation payments (\$457.9 million) while the associated budget is disclosed as part of the Treasury and Finance Administered Items Account Statement of Cash Flows which does not form part of the Statement of Administered Comprehensive Income original budget amount.

2. Grants, Subsidies and Transfers

The \$1.573 billion unfavourable variance against the original budget is primarily due to payments to agencies (\$2.058 billion) in relation to the Intergovernmental Agreement on Federal Financial Relations being recorded in the Statement of Administered Comprehensive Income while the associated budgets are disclosed as part of the Statement of Cash Flows for Other Accounts which does not form part of the Statement of Comprehensive Income original budget amount. This variance is offset by the grants, subsidies and transfers original budget including a budget amount for the repayment of advances (-\$310 million) while the actual transactions are treated as income in the Statement of Administered Comprehensive Income.

3. Commonwealth Revenues

The \$1.907 billion favourable variance against the original budget is primarily due to the actual funding from the Commonwealth for Intergovernmental Agreement on Federal Financial Relations (\$2.049 billion) being recorded in the Statement of Administered Comprehensive Income while the associated budget is disclosed as part of the Statement of Cash Flows for Other Accounts which does not form part of the Statement of Administered Comprehensive Income original budget amount.

60 Financial risk management/Financial instruments

60.1 Financial risk management

The Department'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*.

60.2 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 Significant Accounting Policies.

Notes to and forming part of the Administered financial statements

60 Financial risk management/Financial instruments (continued)

2017

Categorisation of financial asset and financial liability	Statement of Financial Position line item	Note	Carrying amount 2017 \$'000	Fair Value 2017 \$'000
Financial asset				
Cash and cash equivalents	Cash and cash equivalents	44	1 026 952	1 026 952
Loans and receivables	Receivables ⁽¹⁾ ⁽²⁾	45	535	535
Held to maturity	Other financial assets	46	17 732	17 732
	Total financial assets		1 045 219	1 045 219
Financial liabilities				
Financial liabilities at cost	Payables ⁽¹⁾	51	754 835	754 835
	Total financial liabilities		754 835	754 835

2016

Categorisation of financial asset and financial liability	Statement of Financial Position line item	Note	Carrying amount 2016 \$'000	Fair Value 2016 \$'000
Financial asset				
Cash and cash equivalents	Cash and cash equivalents	44	1 353 109	1 353 109
Loans and receivables	Receivables ⁽¹⁾ ⁽²⁾	45	1 235	1 235
Held to maturity	Other financial assets	46	5 733	5 733
	Total financial assets		1 360 077	1 360 077
Financial liabilities				
Financial liabilities at cost	Payables ⁽¹⁾	51	1 067 871	1 067 871
	Total financial liabilities		1 067 871	1 067 871

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. All amounts recorded are carried at cost.

(2) Excludes prepayments which do not meet the definition of a financial asset as per AASB 132.

Fair value

The Department of Treasury and Finance does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair value due to the short term nature of these. Refer to notes 45 and 51.

Credit risk

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

The Department has minimal concentration of credit risk. The Department does not engage in hedging for its financial assets.

Allowances for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently the Department does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer to note 45 for information on the allowance for impairment in relation to receivables.

Notes to and forming part of the Administered financial statements**60 Financial risk management/Financial instruments (continued)**

The following table discloses the ageing of financial assets, past due, including impaired assets past due.

Table 60.3 Ageing analysis of financial assets

	Past due by			
	Overdue for < 30 days \$'000	Overdue for 30 – 60 days \$'000	Overdue for > 60 days \$'000	Total \$'000
2017				
Not impaired				
Other financial assets	-	-	17 732	17 732
Impaired				
Receivables ⁽¹⁾	-	-	-	-
Total	-	-	17 732	17 732
2016				
Not impaired				
Other financial assets	-	-	5 733	5 733
Impaired				
Receivables ⁽¹⁾	-	-	1 235	1 235
Total	-	-	6 968	6 968

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

Liquidity risk

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

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

The carrying amount of financial liabilities recorded in table 60.4 represent the Department's maximum exposure to liquidity risk.

Notes to and forming part of the Administered financial statements

60 Financial risk management/Financial instruments (continued)

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

Table 60.4 Maturity analysis of financial assets and liabilities

	Carrying amount \$'000	2017 Contractual maturities		
		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000
Financial assets				
Cash and cash equivalents	1 026 952	1 026 952	-	-
Receivables	535	535	-	-
Other financial assets	17 732	7 560	10 172	-
Total financial assets	1 045 219	1 035 047	10 172	-
Financial liabilities				
Payables	754 835	726 023	-	28 812
Total financial liabilities	754 835	726 023	-	28 812

	Carrying amount \$'000	2016 Contractual maturities		
		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000
Financial assets				
Cash and cash equivalents	1 353 109	1 353 109	-	-
Receivables	1 235	1 235	-	-
Other financial assets	5 733	4 000	1 733	-
Total financial assets	1 360 077	1 358 344	1 733	-
Financial liabilities				
Payables	1 067 871	1 032 604	-	35 267
Total financial liabilities	1 067 871	1 032 604	-	35 267

Market risk

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities. The Department's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Department of Treasury and Finance:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Department; and
- present a true and fair view of the financial position of the Department of Treasury and Finance 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 Department of Treasury and Finance for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Stuart Hocking
ACTING CHIEF EXECUTIVE
ACTING UNDER TREASURER

15 September 2017



Paul Williams
DIRECTOR
FINANCIAL SERVICES

15 September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia

Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chief Executive Department of Treasury and Finance

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

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Department of Treasury and Finance as at 30 June 2017, its financial performance and its cash flows for the then year ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- Disaggregated Disclosures – Expenses and Income for the year ended 30 June 2017
- Disaggregated Disclosures – Assets and Liabilities as at 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Statement of Administered Comprehensive Income for the year ended 30 June 2017
- a Statement of Administered Financial Position as at 30 June 2017
- a Statement of Administered Changes in Equity for the year ended 30 June 2017
- a Statement of Administered Cash Flows for the year ended 30 June 2017
- Disaggregated Disclosures – Expenses and Income attributable to administered activities for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information for administered items
- a Certificate from the acting Chief Executive and the Director, 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 Department of Treasury and Finance. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the Chief Executive for the financial report

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

Auditor's responsibilities for the audit of the financial report

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

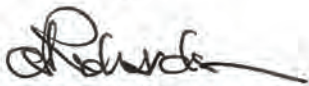
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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



Andrew Richardson

Auditor-General

19 September 2017

University of Adelaide

Financial report
for the year ended
31 December 2016

Statement of Comprehensive Income for the year ended 31 December 2016

		Consolidated		University	
		2016	2015	2016	2015
	Note	\$000	\$000	\$000	\$000
Revenue from continuing operations					
Received under Higher Education Support Act					
Base operating financial assistance	4	224,463	214,650	224,463	214,650
Other operating financial assistance	4	5,668	7,991	5,668	7,991
Higher Education Contribution Scheme	4	116,388	114,725	116,388	114,725
		346,519	337,366	346,519	337,366
Learning and Teaching					
Student fees	4	217,398	198,188	217,398	198,188
Grants	4	30,256	31,612	30,256	31,612
		247,654	229,800	247,654	229,800
Research Grants and Fees					
National competitive grants		92,131	99,062	92,131	99,062
Public sector - other		51,869	55,301	40,772	40,361
Industry and other		50,506	56,438	38,970	39,884
		194,506	210,801	171,873	179,307
Research - Other					
Cooperative Research Centre direct funding		3,702	3,573	3,702	3,573
Research infrastructure program		14,787	15,519	14,787	15,519
Sustainable Excellence Research Funding		11,647	10,062	11,647	10,062
		30,136	29,154	30,136	29,154
Other					
Investment revenue	4	28,832	28,790	25,559	27,235
Property revenue	4	15,975	15,804	15,974	15,561
Specialist services and trading	4	46,389	45,038	23,584	21,371
Bequests, donations & other revenue	4	37,271	39,844	33,225	34,253
		128,467	129,476	98,342	98,420
Total revenue from continuing operations		947,282	936,597	894,524	874,047
Expenses from continuing operations					
Salaries and related expenses	5	497,611	486,767	486,152	470,708
Student services		44,957	46,307	44,957	46,307
Teaching and research	5	93,779	89,880	93,177	91,452
Buildings and grounds	5	62,802	63,789	61,930	62,563
Finance costs	5	5,896	5,168	5,224	5,273
Administration, communication and travel	5	118,246	130,323	80,295	81,326
Finance and fund administration	5	3,522	2,759	3,522	2,759
Misc equip, dep'n and net loss on disposal of assets	5	59,561	59,990	59,030	59,305
Total expenses from continuing operations		886,374	884,983	834,287	819,693
Net operating result for the year		60,908	51,614	60,237	54,354
Operating result attributable to minority interest		-	-	-	-
Net operating result for the year		60,908	51,614	60,237	54,354

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

Statement of Comprehensive Income for the year ended 31 December 2016 - continued

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
Operating result for the period		60,908	51,614	60,237	54,354
Items that may be reclassified to net operating result					
Gain / (loss) on swap contracts	9	1,848	1,376	1,848	1,376
Gain / (loss) on value of available for sale financial assets, net of tax	14,32	-	-	536	(3,196)
Total		1,848	1,376	2,384	(1,820)
Items that will not be reclassified to net operating result					
Gain / (loss) on revaluation of land and buildings	4,15	49,101	-	47,696	-
Gain / (loss) on revaluation of works of Art	15	-	-	-	-
Gain / (loss) on revaluation of Library	15	1,537	-	1,537	-
Share of other comprehensive income of investments accounted for using the equity method	4	(119)	(348)	-	-
Remeasurements of Defined Benefit Plans	26(c)	196	11	196	11
Total		50,715	(337)	49,429	11
Total other comprehensive income		52,563	1,039	51,813	(1,809)
Total comprehensive income		113,471	52,653	112,050	52,545
Total comprehensive income attributable to non-controlling interest		-	-	-	-
Total comprehensive income attributable to the University of Adelaide		113,471	52,653	112,050	52,545

Statement of Financial Position as at 31 December 2016

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
Current Assets					
Cash and cash equivalents	6	42,146	53,936	37,422	45,891
Receivables	7	35,147	41,997	33,713	40,653
Other financial assets	8	10,092	60,357	10,147	60,147
Derivative financial instruments	9	-	2	-	2
Inventories	10	2,341	1,972	647	634
Other non-financial assets	11	11,788	11,540	11,628	11,407
Deferred government superannuation contribution	26(d)	4,400	4,300	4,400	4,300
		105,914	174,104	97,957	163,034
Non-current assets held for sale	12	-	22,600	-	22,600
Total current assets		105,914	196,704	97,957	185,634
Non-current Assets					
Other financial assets	8	291,092	272,787	291,061	266,195
Investments accounted for using the equity method	13	2,002	2,121	972	972
Available-for-sale financial assets	14	-	-	22,902	22,366
Property, plant and equipment	15	1,421,070	1,221,347	1,406,756	1,209,439
Intangible assets	16	36,312	29,547	36,312	29,547
Other non-financial assets	11	7,632	7,899	7,632	7,899
Deferred government superannuation contribution	26(d)	61,767	64,128	61,767	64,128
Total non-current assets		1,819,875	1,597,829	1,827,402	1,600,546
Total assets		1,925,789	1,794,533	1,925,359	1,786,180
Current Liabilities					
Payables	17	82,338	76,538	76,392	68,452
Borrowings	18	5,000	5,000	5,000	5,000
Provisions	19	31,359	27,950	30,623	26,705
Defined benefit obligation	26(d)	4,400	4,300	4,400	4,300
Other	20	18,260	20,949	27,531	23,485
Total current liabilities		141,357	134,737	143,946	127,942
Non-current Liabilities					
Payables	17	11,493	11,737	11,471	11,721
Borrowings	18	62,510	46,510	62,510	46,510
Provisions	19	65,350	64,329	65,163	64,176
Derivative financial instruments	9	13,856	15,706	13,856	15,706
Defined benefit obligation	26(d)	61,767	64,128	61,767	64,128
Other	20	154	1,555	154	1,555
Total non-current liabilities		215,130	203,965	214,921	203,796
Total liabilities		356,487	338,702	358,867	331,738
Net assets		1,569,302	1,455,831	1,566,492	1,454,442
Equity					
Capital reserves	22	625,354	579,168	646,601	596,832
Specific purpose reserves	22	614,138	608,356	614,138	608,356
Retained surplus	22	329,813	268,310	305,753	249,254
Total University interest		1,569,305	1,455,834	1,566,492	1,454,442
Non-controlling interest		(3)	(3)	-	-
Total equity		1,569,302	1,455,831	1,566,492	1,454,442

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

Statement of Changes in Equity for the year ended 31 December 2016

Consolidated	Capital Reserves \$000	Specific Purpose Reserves \$000	Retained Surplus \$000	Non- controlling Interest \$000	Total \$000
Balance at 1 January 2015	579,168	585,099	233,211	(2)	1,397,476
Prior period error	-	-	6,187	-	6,187
Restated balance as at 1 January 2015	579,168	585,099	239,398	(2)	1,403,663
Net result	-	23,257	27,005	(1)	50,261
Prior period error	-	-	1,353	-	1,353
Restated Net Result	-	23,257	28,358	(1)	51,614
Other comprehensive income					
Gain / (loss) on swap contracts	-	-	1,376	-	1,376
Share of other comprehensive income of investments accounted for using the equity method	-	-	(348)	-	(348)
Remeasurements of Defined Benefit Plans	-	-	11	-	11
Other adjustments recognised directly in equity	-	-	(485)	-	(485)
Total other comprehensive income	-	-	554	-	554
Balance at 31 December 2015	579,168	608,356	268,310	(3)	1,455,831
Balance at 1 January 2016	579,168	608,356	268,310	(3)	1,455,831
Net result	-	5,782	55,126	-	60,908
Other comprehensive income					
Gain / (loss) on revaluation of land and buildings	49,101	-	-	-	49,101
Gain / (loss) on revaluation of Library	1,537	-	-	-	1,537
Gain / (loss) on swap contracts	-	-	1,848	-	1,848
Share of other comprehensive income of investments accounted for using the equity method	-	-	(119)	-	(119)
Remeasurements of Defined Benefit Plans	-	-	196	-	196
Other adjustments recognised directly in equity	(4,452)	-	4,452	-	-
Total other comprehensive income	46,186	-	6,377	-	52,563
Balance at 31 December 2016	625,354	614,138	329,813	(3)	1,569,302

Statement of Changes in Equity for the year ended 31 December 2016 - continued

University	Capital Reserves \$000	Specific Purpose Reserves \$000	Retained Surplus \$000	Non- controlling Interest \$000	Total \$000
Balance at 1 January 2015	600,028	585,099	210,583	-	1,395,710
Prior period error	-	-	6,187	-	6,187
Restated balance as at 1 January 2015	600,028	585,099	216,770	-	1,401,897
Net result	-	23,257	29,744	-	53,001
Prior period error	-	-	1,353	-	1,353
Restated Net Result	-	23,257	31,097	-	54,354
Other comprehensive income					-
Gain / (loss) on value of available for sale financial assets, net of tax	(3,196)	-	-	-	(3,196)
Gain / (loss) on swap contracts	-	-	1,376	-	1,376
Remeasurements of Defined Benefit Plans	-	-	11	-	11
Total other comprehensive income	(3,196)	-	1,387	-	(1,809)
Balance at 31 December 2015	596,832	608,356	249,254	-	1,454,442
 Balance at 1 January 2016	 596,832	 608,356	 249,254	 -	 1,454,442
Net result	-	5,782	54,455	-	60,237
Other comprehensive income					
Gain / (loss) on revaluation of land and buildings	47,696	-	-	-	47,696
Gain / (loss) on revaluation of Library	1,537	-	-	-	1,537
Gain / (loss) on value of available for sale financial assets, net of tax	536	-	-	-	536
Gain / (loss) on swap contracts	-	-	1,848	-	1,848
Remeasurements of Defined Benefit Plans	-	-	196	-	196
Total other comprehensive income	49,769	-	2,044	-	51,813
Balance at 31 December 2016	646,601	614,138	305,753	-	1,566,492

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

Statement of Cash Flows for the year ended 31 December 2016

		Consolidated		University	
		2016	2015	2016	2015
	Note	\$000	\$000	\$000	\$000
Cash flows from operating activities					
Inflows:					
Australian Government financial assistance	38(g)	504,401	501,126	504,401	500,193
OS-Help (net)	38(g)	470	1,015	470	1,015
Higher Education Superannuation	38(g)	3,992	4,029	3,992	4,029
State Government financial assistance		23,352	25,124	22,874	24,682
HECS-HELP student upfront payments		12,587	13,001	12,587	13,001
Fee paying student revenue received		199,284	182,018	199,284	182,018
Fees and charges		24,990	25,580	24,990	25,580
Donations and bequests		4,482	3,756	4,482	3,751
Interest and dividends received		6,642	10,996	2,949	5,950
Consultancy and contract research		85,710	96,041	59,135	61,318
Specialist services and produce trading		20,474	17,364	9,906	7,023
GST received		28,885	23,707	27,826	22,427
Other		52,724	56,952	42,821	45,867
Total inflows		967,993	960,709	915,717	896,854
Outflows:					
Salaries and related expenses		(498,903)	(482,126)	(486,974)	(466,254)
Student services		(45,057)	(46,307)	(45,057)	(46,307)
Goods and services		(303,635)	(308,465)	(263,122)	(262,824)
Costs of finance		(465)	(1,005)	(465)	(842)
GST paid		(35,546)	(29,407)	(30,512)	(24,216)
Total outflows		(883,606)	(867,310)	(826,130)	(800,443)
Net cash provided by operating activities	23	84,387	93,399	89,587	96,411

Statement of Cash Flows for the year ended 31 December 2016 - continued

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
Cash flows from investing activities					
Inflows:					
Proceeds from sale of property, plant and equipment		1,743	126	1,706	125
Proceeds from sale of financial assets		2,439	4,559	2,375	4,872
Proceeds from sale of financial assets held-to-maturity		50,265	25,256	50,000	25,005
Proceeds from sale of non-current assets held for sale		37,145	25,000	37,145	25,000
Increase in loans		40	40	-	-
Repayment of loans by related parties		686	155	145	160
Total inflows		92,318	55,136	91,371	55,162
Outflows:					
Payments for property, plant and equipment		(187,733)	(105,776)	(187,261)	(105,236)
Payments for intangible assets		(11,461)	(10,093)	(11,461)	(10,093)
Payments for financial assets		-	(481)	-	(481)
Payment of loans		-	(39)	-	(14)
Increase in loans to related parties		(596)	(25)	-	-
Repayment of funds held on deposit		-	-	(2,000)	(1,500)
Total Outflows		(199,790)	(116,414)	(200,722)	(117,324)
Net cash used in investing activities		(107,472)	(61,278)	(109,351)	(62,162)
Cash flows from financing activities					
Inflows:					
Increase in borrowings		18,500	-	18,500	-
Total inflows		18,500	-	18,500	-
Outflows:					
Repayment of borrowings		(2,500)	(26,000)	(2,500)	(26,000)
Borrowings - interest repayments		(4,604)	(3,780)	(4,604)	(3,780)
Total outflows		(7,104)	(29,780)	(7,104)	(29,780)
Net cash used in financing activities		11,396	(29,780)	11,396	(29,780)
Net increase (decrease) in cash and cash equivalents		(11,689)	2,341	(8,368)	4,469
Cash and cash equivalents at the beginning of reporting period		53,936	51,630	45,891	41,457
Effects of exchange rate changes on cash and cash equivalents		(101)	(35)	(101)	(35)
Cash and cash equivalents at end of reporting period	6	42,146	53,936	37,422	45,891

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

The University invests its surplus working capital into bank term investments. These bank term investments are reported as Financial Assets held-to-maturity within Note 8 (2016: \$10.0 million, 2015: \$60.0 million). As a consequence these amounts are not reported within Cash and Cash Equivalents and the movement in these assets are not reported within the Statement of Cash Flows.

Notes to the Financial Statements

Notes Contents

1	Basis of Preparation
2	Scope of Reporting
3	Statement of Significant Accounting Policies
4	Revenue from Continuing Operations
5	Expenses from Continuing Operations
6	Cash and Cash Equivalents
7	Receivables
8	Other Financial Assets
9	Derivative Financial Instruments
10	Inventories
11	Other Non-Financial Assets
12	Non-current Assets Held for sale
13	Investments Accounted for Using the Equity Method
14	Available-for-sale Financial Assets
15	Property, Plant and Equipment
16	Intangible Assets
17	Payables
18	Borrowings
19	Provisions
20	Other Liabilities
21	Employee Benefits and Related On-cost Liabilities
22	Retained Surplus and Reserves
23	Reconciliation of Net Cash provided by Operating Activities to Operating Result
24	Commitments
25	Contingencies
26	Superannuation Schemes
27	Disaggregation Information
28	Auditors' Remuneration
29	The University Council Members and Senior Management
30	Financial Instruments
31	Fair Value Measurements
32	Investments in Controlled Entities
33	Investments in Associates
34	Interests in Cooperative Research Centres
35	Interests in Joint Ventures
36	Related Parties

Department of Education Reporting Requirements

37	Income Statement
38	Australian Government Financial Assistance
39(a)	Acquittal of Australian Government Financial Assistance – Education – CGS and Other Education Grants
39(b)	Acquittal of Australian Government Financial Assistance – Higher Education Loan Programmes
39(c)	Acquittal of Australian Government Financial Assistance – Learning Scholarships
39(d)	Acquittal of Australian Government Financial Assistance – Education – Research
39(e)	Acquittal of Australian Government Financial Assistance – Australian Research Council Grants – Discovery
39(e)	Acquittal of Australian Government Financial Assistance – Australian Research Council Grants – Linkages
39(e)	Acquittal of Australian Government Financial Assistance – Australian Research Council Grants – Networks and Centres
39(f)	Other Australian Government Financial Assistance Received
40	State and Local Government Financial Assistance
41	Fees and Charges
42	Consultancy and Contract Revenue

1. Basis of Preparation

These notes, prepared in conjunction with the financial statements, provide an explanation of significant accounting policies and practices adopted in the preparation of the statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements and notes collectively constitute a general purpose financial report prepared on an accrual basis and in accordance with Australian Accounting Standards, Australian Accounting Standards Board (AASB) interpretations, the Higher Education Support Act 2003, Financial Statement Guidelines of the Department of Education, the South Australian Treasurer's Instructions and the Accounting Policy Framework issued under the provisions of the Public Finance and Audit Act 1987 (except where in conflict with Department of Education requirements). The University applies Tier 1 reporting requirements.

(a) Compliance with IFRS

The University of Adelaide is a not-for-profit entity and these financial statements have been prepared on that basis. The financial statements and notes of the University comply with Australian Accounting Standards, some of which contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

(b) Critical accounting estimates

Preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the University's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are property, plant and equipment, superannuation receivables and associated defined benefit obligations and provisions. Further details are disclosed in the relevant notes to the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2. Scope of Reporting

The financial statements and notes disclose the 2016 operating results and 2015 comparative results of The University of Adelaide as follows:

University - refers to all aspects of operation of The University of Adelaide only.

Consolidated - refers to the financial results of The University of Adelaide together with the financial results of its controlled entities (refer to Note 32). It includes the University's interests in associates (Note 33) and its joint arrangements (Note 35), recognised using the equity accounting method.

The controlled entities of The University of Adelaide, included in this report are:

*ACN 008 123 466 Pty Ltd (Formerly Repromed Pty Ltd)

Adelaide Research & Innovation Pty Ltd as trustee for The Adelaide Research & Innovation Investment Trust

Adelaide Unicare Pty Ltd as trustee for the Unihealth Research & Development Trust

Martindale Holdings Pty Ltd as trustee for

- JS Davies Estate
- JAT Mortlock Trust (vested on 8 July 2016)
- The Roseworthy Farm

National Wine Centre Pty Ltd as trustee for the National Wine Centre Trust

Roseworthy Piggery Pty Ltd

The Women's and Children's Health Research Institute

*The ownership of the shares in ACN 008 123 466 Pty Ltd (Formerly Repromed Pty Ltd) transferred from Adelaide Research & Innovation Pty Ltd to The University of Adelaide as at 24 March 2016.

3. Statement of Significant Accounting Policies

(a) Basis of Accounting

This general purpose financial report has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the Consolidated Entity, and these policies have been consistently applied to all the years presented, unless otherwise stated.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures. Where comparatives have been reclassified, the impact of this reclassification has been disclosed in the relevant note.

(b) Principles of Consolidation

The consolidated financial statements of the Consolidated Entity include the financial statements of the University, being the parent entity, and its controlled entities ('the Consolidated Entity'). All entities have a 31 December reporting period.

Controlled Entities are those entities over which the Consolidated Entity has control. The Consolidated Entity has control over an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Power over the entity exists when the Consolidated Entity has existing rights that give it current ability to direct the relevant activities of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another entity. Returns are not necessarily monetary and can be only positive, only negative, or both positive and negative.

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances, and effects of transactions, between controlled entities have been eliminated in the consolidated financial statements. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Non-controlling interest in the equity and results of the entities that are controlled by the University are shown as a separate item in the consolidated financial statements.

(c) Foreign Currency

The University and its controlled entities financial statements are prepared in Australian dollars as their primary activities are conducted within Australia where the functional currency is Australian dollars.

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions and brought to account in the Net operating result. Amounts receivable and payable in foreign currencies at the end of the reporting period are translated at the rates of exchange ruling on that date.

(d) Revenue Recognition

The University recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the University and specific criteria have been met for each of the University's activities as described below. In some cases this may not be probable until consideration is received or an uncertainty is removed. The Consolidated Entity bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

- **Grant Revenue**
Grant revenue is recognised in the accounting period that the University obtains control of the revenue which is generally when it is received or where the University obtains control of the right to receive the grant and when the revenue recognition criteria are met.
- **HELP payments**
Revenue from HELP is categorised into those received from the Australian Government and those received directly from students. Revenue is recognised in the year in which the service is provided.
- **Student Tuition Fees and Charges**
Student tuition fees and charges are recognised in the year in which the service is provided.
- **Consultancy, Contract and Industry Research**
Consultancy, contract and industry research income is recognised in the accounting period in which the service is provided.
- **Bequests and Donations**
Bequests and donations are recognised as income in the accounting period they are received.
- **Interest and Investment Income**
Interest and income from investments are recognised as they accrue (refer to Note 3(j)).
- **Royalties, trademarks and licenses**
Revenue from royalties, trademarks and licences is recognised as income when earned.

- **Asset Sales**

The net gain/loss from asset sales is included in the Consolidated Entity Net operating result. The profit or loss on disposal of assets is brought to account at the date the contract of sale becomes unconditional.

(e) **Goods and Services Tax**

Revenues, expenses, assets and liabilities are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

(f) **Income Tax**

The University does not provide for Australian income tax as it is exempt under the provisions of Division 50 of the *Income Tax Assessment Act 1997*.

(g) **Intangible Assets**

Research expenditure is expensed in the period in which it is incurred. Where no internally generated asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

Any intangible assets arising from development (or from the development phase of an internal project) are recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

All computer software other than operating systems is treated as intangible assets.

Intangible assets are stated at cost less accumulated amortisation and impairment, whereby impairment is tested annually (refer to Note 16). Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years.

(h) **Employee Benefits**

- **Wages and Salaries**

The employees' entitlements to wages and salaries represent the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services provided up to the end of the reporting period. The entitlements have been calculated at the wage and salary rates as at the end of the reporting period and have been recognised in payables.

- **Annual Leave**

The employees' entitlements to annual leave expected to be settled within 12 months of the end of the reporting period have been calculated at the amounts expected to be paid when the liabilities are settled and recognised in current provisions. Where the employees' entitlements to annual leave are not expected to be settled within 12 months of the end of the reporting period, the provision has been discounted to present value using the Australian Government 3 year bond rate and recognised in non-current provisions. The employee on-costs related to annual leave provision are recognised in payables.

- **Long Service Leave**

The liability for employees' entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the end of the reporting period.

Liabilities for employees' entitlements, which are not expected to be settled within twelve months, are discounted using the rates attaching to Australian Government securities at the end of the reporting period, which most closely match the terms of maturity of the related liabilities, and recognised in non-current provisions.

In determining the liability for employees' entitlements, consideration has been given to future increases in wage and salary rates, and the Consolidated Entity's experience with staff departures. Related on-costs have been recognised in payables.

- **Superannuation**

Superannuation schemes exist to provide benefits to University employees and their dependents upon retirement, disability or death. The contributions made to these schemes by the University, and emerging costs from unfunded schemes, are expensed in the Net operating result. For defined benefit plans, the remeasurement gains and losses are recognised immediately in other comprehensive income in the year in which they occur and the liability in relation to the defined benefit obligation, net of assets, has been recognised in the Statement of Financial Position. Refer to Note 26 for details relating to the individual schemes.

- **Termination Benefits**

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. The Consolidated Entity recognises the expense and liability for termination benefits either when it can no longer withdraw the offer of those benefits or when it has recognised costs for restructuring within the scope of AASB137 that involves the payment of termination benefits. The expense and liability are recognised when the Consolidated Entity is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(i) **Receivables**

Trade receivables are initially recognised at fair value. The collectability of receivables is assessed at the end of the reporting period and provision is made for any amounts considered to be doubtful. Any debts considered to be non-collectable have been expensed as bad debts.

(j) **Cash and Cash Equivalents**

Cash and cash equivalents includes cash at bank or on hand and deposits held at call with financial institutions.

(k) **Other Financial Assets**

The Consolidated Entity classifies its investments into the following categories: financial assets at fair value through profit or loss, financial assets held-to-maturity, available for sale financial assets and loans and receivables. The classification depends on the purpose for which the investments were acquired. The classification of the investments is made at initial recognition and is reviewed at the end of each reporting period.

- **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are classified as current assets in the Statement of Financial Position, with any realised and unrealised gains or losses recognised in the Net operating result.

Endowment Fund

The majority of specific purpose endowments received by the University to fund research activities, scholarships, prizes and lectures are included in the Endowment Fund. This Fund is invested in cash deposits and longer term investments managed by independent investment managers. These investments are reported in non-current financial assets in the Statement of Financial Position at market values obtained from the investment managers.

- **Financial assets held-to-maturity**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the University's management has the positive intention and ability to hold to maturity. The University places its surplus operating funds into bank term deposits with fixed maturity dates. Financial assets held to maturity are carried at cost.

- **Available-for-sale financial assets**

The financial assets are classified in this category where there is an intention to dispose of the investment, rather than replacing the investment through trading or where they are not classified in any of the other categories. Available for sale financial assets are recorded at fair value less impairment in the Statement of Financial Position. Unrealised gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined impaired, at which time the cumulative unrealised gain or loss previously recognised in the reserve is included in the Net operating result for the period. The University's investments in controlled entities are classified as non-current available-for-sale financial assets as the University does not intend to dispose of these assets in the near future.

- **Loans and receivables**

Financial assets are classified in this category when the Consolidated Entity provides money, goods or services to a debtor with no intention of selling the receivable. Financial assets classified as loans and receivables are recorded at amortised cost less impairment. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

(l) **Derivative Financial Instruments**

The Consolidated Entity enters into interest rate swaps (Derivative financial instruments) to manage its exposure to movements in interest rates on its borrowings.

In addition, the Consolidated Entity enters into foreign currency swaps (Derivative financial instruments) to manage its exposure to movements in exchange rates on its capital expenditure and library subscriptions.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised as an asset or liability as the swaps are effective hedging instruments.

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

Hedge accounting

The Consolidated Entity has designated the interest rate and foreign currency swaps as cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Consolidated Entity documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting cash flows of the hedged item.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in the Statement of Comprehensive Income. The gain or loss relating to the ineffective portion is recognised immediately in the Net operating result. As at 31 December 2016 there are no ineffective hedge instruments.

Amounts deferred in equity are recorded in the Net operating result in the periods when the hedged item is recognised in the Net operating result. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Net operating result. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in other comprehensive income is recognised immediately in the Net operating result.

(m) Fair Value Measurement

The fair value of assets and liabilities must be measured for recognition and disclosure purposes.

The Consolidated Entity classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value of financial assets or liabilities traded in active markets is based on quoted market prices for identical assets or liabilities at the end of the reporting period (level 1). The quoted market price used for assets held by the Consolidated Entity is the most representative of fair value in the circumstances within the bid-ask spread.

The fair value of financial assets or liabilities that are not traded in an active market is determined using valuation techniques. The Consolidated Entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of the reporting period. Quoted market prices or dealer quotes for similar instruments (level 2) are used for long-term debt instruments held. Other techniques that are not based on observable market data (level 3) are used to determine fair value for the remaining assets and liabilities. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. The level in the fair value hierarchy is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Fair value measurement of non-financial assets is based on the highest and best use of the asset. The Consolidated Entity considers market participants use of, or purchase of the asset, to use it in a manner that would be highest and best use.

The carrying value less impairment provision of trade receivables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

(n) Investments in Business Undertakings

- **Controlled Entities**

Investments in controlled entities are carried in the University's financial statements at fair value. Dividends and distributions are brought to account in the Net operating result when they are declared by the controlled entities.

- **Interests in Associates**

Interests in associates represent interests where the Consolidated Entity exercises a significant influence but not control over the financial and operating policies.

In the University's financial statements, investments in these entities are carried at cost.

In the consolidated financial statements, investments in these entities are accounted for using the equity method of accounting. The Consolidated Entity's share of the net profit or loss after tax is recognised in Consolidated Other comprehensive income after the elimination of unrealised profits and losses on transactions between these entities and any entities in the Consolidated Entity.

- **Joint Arrangements**

Where the Consolidated Entity has joint control of an entity as described in Note 35, the Consolidated Entity interests are accounted for using the equity method.

- **Cooperative Research Centres**
The University derives income as part of its participation in Cooperative Research Centres, as listed in Note 34. In the ordinary course of events this income, which is recognised in the financial statements of the University, is used to meet operational costs and/or acquire equipment. As a participant, the University will be entitled to a proportionate share of any intellectual property arising. As at the reporting date, the University is not aware of any material intellectual property with commercial value. As such no accounting entries have been recorded.
- **Other Business Undertakings**
The Consolidated Entity holds a number of investments. In the case of publicly listed investments, these have been valued at market value. In the case of non publicly listed investments, the value of the investment is carried at the University's share of the net tangible assets of the investment entity.

(o) **Inventories**

- **Consumable Materials and Trading Stock**
The University has a number of inventory stores at several locations. The inventory is valued at cost based on the weighted average cost method.
- **Livestock**
The University breeds animals for teaching and research activities and not for profit. Consequently it does not attribute a value to livestock for recording in the Statement of Financial Position. Where controlled entities have reported livestock, this is included at net realisable value.

(p) **Property, Plant and Equipment**

- **Acquisitions**
Items of property, plant and equipment are initially recorded at cost in the Statement of Financial Position (unless otherwise indicated) and depreciated in accordance with Note 3(s).
- **Revaluations**
During 2016 land and buildings were independently valued on a fair value basis in accordance with Australian Accounting Standards.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation.

Increases in the carrying amounts arising on revaluation of land and buildings, library collection and works of art are credited to capital reserves in equity within the Statement of Financial Position except to the extent that they reverse previous reductions in the carrying amounts which were charged to the Net operating result. Decreases that reverse previous increases of the same class of asset are first charged against the capital reserves in equity to the extent of the remaining reserve attributable to the class of asset. All other decreases are charged to the Net operating result.

- **Disposal of Revalued Assets**
The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the results in the year of disposal.
- **Land and Buildings**
The University differentiates between "trust" and "other" land and buildings. "Trust" land is land provided to the University by Government to be held in trust for the specific purpose of operating the University, or acquired by settlement under a binding trust. Buildings constructed on land classified as "trust" land are classified as "trust" buildings.

All land and buildings are recorded at fair value which has been assessed via an independent valuation on the basis of market value for existing use or where this is not suitable, the depreciated replacement cost. The valuation of land and buildings has been carried out by Mr Matthew Ward, AAPI, B.App.Sc (Property Economics), Mr Nicholas Fein, BE, Mr Timothy Ashton, AAPI of AssetVal Pty Ltd on 31 December 2016.
- **Other Collections**
The University owns a number of collections of cultural, historical and scientific significance. Many of these collections are unique or extremely rare. The University is not able to reliably measure the value of these collections and therefore has not recognised them as an asset in the Statement of Financial Position. Furthermore, collections which are irreplaceable (excluding works of art) are not covered by University insurance due to difficulty in determining an insurable value, the costs associated with deriving such a value, and the premium load an insurer would require to carry such a risk.
- **Library Collection**
The Library collection was revalued on 31 December 2016 using an internal valuation based on the annual price movement of books.
- **Works of Art**
Works of art \$2,000 and greater, are recorded at fair value on the basis of an independent valuation carried out by Mr JFB Bruce AM JP (MAAVA), Managing Director of Theodore Bruce Auctions Pty Ltd on 31 December 2014. No provision for depreciation is made for works of art.

- **Leased Property, Plant and Equipment**

Leases of property, plant and equipment where the University, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. As at 31 December 2016 there are no finance leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Net operating result on a straight-line basis, over the period of the lease.

(q) Non-current Assets Held for Sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs of disposal if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of non-current assets classified as held for sale continue to be recognised.

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

(r) Impairment of Assets

The Consolidated Entity assesses at the end of the reporting period whether there is objective evidence that an asset or group of assets is impaired.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Net operating result for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if changes in circumstances indicate they might be impaired. An impairment loss is recognised if the carrying amount of the asset or its related cash-generating-unit (CGU) exceeds its recoverable amount.

(s) Depreciation and Amortisation

Depreciation on freehold buildings is calculated on a diminishing value basis. Depreciation is provided on other property, plant and equipment, excluding land and works of art, on a straight line basis so as to write off the net cost or other revalued amount of each asset over its remaining expected useful life. Leasehold improvements are amortised over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation/amortisation:

• Buildings	80 – 100 years
• Leasehold improvements	5 – 50 years
• Library Collection	10 years
• Plant and equipment including motor vehicles	5 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

(t) Repairs and Maintenance

Repairs and maintenance costs are recognised as expenses as incurred, except where they relate to the replacement component of an asset, in which case the costs are capitalised and depreciated. Other routine operating maintenance, repair or minor renewal costs are also recognised as expenses, as incurred.

(u) Workers' Compensation

The University is responsible for payments of workers' compensation claims and is registered with the ReturnToWorkSA as an exempt employer.

The actuarial assessment of the provision for workers' compensation claims has been prepared by Brett & Watson Pty Ltd using the Case Estimation Methodology. This methodology comprises the assessment of individual independent case estimates of all open claims. A separate allowance for incurred but not reported claims (IBNR), unforeseen escalation of the case estimates and re-opening of finalised claims is then made.

(v) Payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(w) Salaries and Related Expenses

Items attributed to salaries and related expenses include salaries and wages, employee entitlements and other costs incidental to the employment of staff such as professional development costs and fringe benefits tax.

(x) Borrowings and Borrowing Costs

Borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period and does not expect to settle the liability for at least 12 months after the end of the reporting period. Borrowing costs are expensed as incurred.

(y) **New or revised Australian Accounting Standards and Interpretations issued but not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods. The University has elected not to early adopt any of these standards. The University is yet to perform a detailed assessment of the impacts of these new standards, however, the preliminary assessments are set out below:

Reference	Title	Application Date of Standard*	Impact
AASB 15	Revenue from Contracts with Customers	1 January 2019	The University does not expect this standard to have a material impact.
AASB 16	Leases	1 January 2019	This standard will result in the recognition of leased assets and related liabilities on the University Statement of Financial Position. The University does not expect this standard to have a material impact on the Net Operating Result.
AASB 1058	Income of Not-for-Profit Entities	1 January 2019	The University does not expect this standard will have a material impact over time but will result in changes in the timing of the recognition of grant income.

* Designates the beginning of the applicable annual reporting period

(z) **Prior Period Errors and Changes in Accounting Estimates**

The University's investment in Australian Grain Technologies Pty Ltd has been recognised at fair value of \$9.0M within Non-current Other Financial Assets – Other shares during 2016. The recognition of this investment has given rise to a Prior Period Error as the University had not previously recognised the fair value of this investment in its Financial Statements.

The 2015 Statement of Financial Position has been restated to recognise the investment as at 31 December 2015 of \$7.5M Non-current Other Financial Assets – Other shares, resulting in a \$1.3M increase in Investment Income being recognised within Statement of Comprehensive income and a \$6.2M increase in 2015 Opening Retained Earnings.

\$1.5M in investment income has been recognised within the Statement of Comprehensive Income in 2016 and a corresponding increase in the value of Non-current Other Financial Assets.

These movements have also been reflected in the 2015 and 2016 Consolidated Financial Statements.

(aa) **Rounding**

All amounts in this report are rounded to the nearest thousand dollars.

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
4. Revenue from continuing operations					
Received under Higher Education Support Act					
Base operating financial assistance					
Commonwealth Grants Scheme (Commonwealth supported places)		175,544	166,431	175,544	166,431
Institutional Grants Scheme		16,565	16,219	16,565	16,219
Research Training Scheme		32,354	32,000	32,354	32,000
		224,463	214,650	224,463	214,650
Other operating financial assistance					
Other operating financial assistance		5,668	7,991	5,668	7,991
		5,668	7,991	5,668	7,991
Higher Education Contribution Scheme					
HECS-HELP student upfront payments		12,587	13,001	12,587	13,001
Australian Government financial assistance		103,801	101,724	103,801	101,724
		116,388	114,725	116,388	114,725
		346,519	337,366	346,519	337,366
Student fee income includes:					
Fee paying student revenue received					
Award courses					
Australian fee paying undergraduate students		294	663	294	663
Australian fee paying postgraduate students		3,469	3,424	3,469	3,424
International fee paying students		181,720	163,293	181,720	163,293
		185,483	167,380	185,483	167,380
Non award courses					
Continuing education		640	602	640	602
Australian fee paying		7,201	7,017	7,201	7,017
Other teaching service fees		5,124	5,656	5,124	5,656
		12,965	13,275	12,965	13,275
Non-course income					
Student services and amenities fees		3,059	2,848	3,059	2,848
		3,059	2,848	3,059	2,848
		201,507	183,503	201,507	183,503
Australian Government financial assistance					
FEE-HELP		11,700	10,556	11,700	10,556
SA-HELP		3,217	3,155	3,217	3,155
Overseas postgraduate research scholarship		974	974	974	974
		217,398	198,188	217,398	198,188
Learning and teaching grants					
Learning and teaching grants		30,256	31,612	30,256	31,612
		30,256	31,612	30,256	31,612
		247,654	229,800	247,654	229,800

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
4. Revenue from continuing operations - continued					
Investment revenue					
Interest income					
Bank deposits		924	571	591	353
Held-to-maturity bank term investments		2,004	3,908	2,004	3,908
Dividends received		72	884	1	274
Distributions from controlled entities		-	3	407	1,310
Other investment gains and losses					
Net realised gain on endowment fund investments		7,661	7,643	7,661	7,643
Net unrealised gain on endowment fund investments		10,931	1,733	10,267	2,112
Revaluation gain on investments		3,366	9,172	3,338	9,172
Gain on Joint Venture Dissolution		-	207	-	207
Royalties, trademarks and licences		3,874	4,669	1,290	2,256
		28,832	28,790	25,559	27,235
Property revenue					
Rental charges/accommodation fees		11,641	11,966	11,509	11,599
Parking fees		2,175	1,908	2,175	1,908
Building development and maintenance recovery		1,643	1,456	1,643	1,456
Other property revenue		516	474	647	598
		15,975	15,804	15,974	15,561
Specialist services and trading					
Consultancy fees		9,692	10,980	7,283	7,529
Library charges and fines		293	422	293	422
Sale of services		29,145	26,159	11,886	8,831
Sale of goods		3,378	3,104	358	547
Sponsorship and conference income		2,405	2,442	2,405	2,442
Other specialist services and trading		1,476	1,931	1,359	1,600
		46,389	45,038	23,584	21,371
Bequests, donations and other revenue					
Bequests and donations received for:					
Research		1,438	2,595	1,438	2,590
General operational purposes		3,244	1,124	3,244	1,124
		4,682	3,719	4,682	3,714
Prizes and scholarships		3,758	1,276	3,758	1,276
Recharge of costs to other organisations		319	740	319	515
Application management and late fees		1,813	1,352	1,813	1,352
Franchise fees		2,945	2,258	2,945	2,258
Insurance claim recovery		414	34	414	34
Salary recharges		1,837	2,336	1,837	2,336
AusAid Scholarships & stipends		4,088	6,396	4,088	6,396
Reversal of impairment of other buildings		4,843	1,033	3,632	1,033
Net gain on disposal of assets		1,295	7,247	1,336	7,270
Other revenue		11,277	13,453	8,401	8,069
		37,271	39,844	33,225	34,253
Share of other comprehensive income of associates and joint ventures accounted for using the equity method					
Joint ventures	35	102	(407)	-	-
Associates	33	(221)	59	-	-
		(119)	(348)	-	-

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
5. Expenses from continuing operations					
Salaries and related expenses					
Salaries and related expenses - Academic					
Salaries		189,760	188,126	189,760	188,126
Contributions to superannuation and pension schemes					
Contributions to funded schemes		30,721	29,850	30,721	29,850
Contributions to unfunded schemes		69	87	69	87
Payroll tax		13,146	12,758	13,146	12,758
Annual leave		14,499	14,258	14,499	14,258
Long service leave		4,105	4,443	4,105	4,443
Workers' compensation		918	276	918	276
Other		7,456	7,709	7,456	7,616
Redundancy expenses		102	3,226	102	3,226
Total academic salaries and related expenses		260,776	260,733	260,776	260,640
Salaries and related expenses - Non-academic					
Salaries		164,636	165,133	155,060	151,693
Contributions to superannuation and pension schemes					
Contributions to funded schemes		26,677	25,911	25,734	24,473
Contributions to unfunded schemes		58	71	58	71
Payroll tax		11,266	10,822	10,992	10,482
Annual leave		12,962	12,505	12,441	11,928
Long service leave		4,212	3,070	4,084	2,925
Workers' compensation		465	374	465	374
Other		6,357	6,010	6,340	5,984
Redundancy expenses		10,202	2,138	10,202	2,138
Total non-academic salaries and related expenses		236,835	226,034	225,376	210,068
Total salaries and related expenses		497,611	486,767	486,152	470,708
Teaching and research					
Agriculture, animals and cropping		1,847	1,832	1,847	1,832
Books, subscriptions and printed material		10,510	8,745	10,510	8,745
Laboratory expenses		19,359	18,227	19,357	18,786
Research transfer to other institutions		33,699	30,621	33,099	31,634
Other teaching and research		28,364	30,455	28,364	30,455
		93,779	89,880	93,177	91,452
Buildings and grounds					
Cleaning and security		9,663	9,616	9,257	9,225
Property maintenance		21,718	22,764	21,623	22,566
Building leases and rent		16,448	17,477	16,117	17,092
Utilities		14,973	13,932	14,933	13,680
		62,802	63,789	61,930	62,563

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
5. Expenses from continuing operations - continued					
Finance costs					
Interest		5,448	4,814	4,838	4,819
Finance charges		448	354	386	354
		5,896	5,168	5,224	5,273
Administration, communication and travel					
Consultants & specialist services		22,518	25,768	17,373	20,415
Fees & licenses		19,108	16,582	19,076	16,538
Insurance		2,841	2,949	2,734	2,815
Administration & communication		44,579	56,427	12,184	13,362
Publicity and fundraising		5,128	4,736	4,890	4,449
Travel, accommodation & entertainment		24,072	23,861	24,038	23,747
		118,246	130,323	80,295	81,326
Finance and fund administration					
Bad and doubtful debts					
Student loans		(7)	(11)	(7)	(11)
Student tuition		332	32	332	32
Other debtors		290	141	290	141
		615	162	615	162
Management and merchant fees		1,563	1,334	1,563	1,334
Fringe benefit tax payments		1,157	1,217	1,157	1,217
Other		187	46	187	46
		3,522	2,759	3,522	2,759
Misc equip, dep'n and net loss on disposal of assets includes:					
Amortisation of intangible assets					
Software		6,276	7,370	6,276	7,370
Amortisation	3(s)				
Leasehold improvements		2,706	2,222	2,695	2,211
		8,982	9,592	8,971	9,581
Depreciation	3(s)				
Buildings		23,843	23,853	23,785	23,780
Plant, equipment and motor vehicles		14,806	13,590	14,344	12,989
Library collection		2,194	2,179	2,194	2,179
		40,843	39,622	40,323	38,948
		49,825	49,214	49,294	48,529
Non-capitalised equipment		9,736	10,697	9,736	10,697
Impairment loss on non-current assets held for sale		-	79	-	79
		59,561	59,990	59,030	59,305

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
6. Cash and Cash Equivalents	3(j)				
Cash at bank or on hand		36,846	20,713	32,422	14,591
Short term deposits at call		5,300	33,223	5,000	31,300
		42,146	53,936	37,422	45,891

The University invested its surplus working capital into bank term investments (2016: \$10.0 million, 2015: \$60.0 million). These bank term investments have been reported as Financial Assets held-to-maturity in Note 8. As a result these funds are not reported within Cash and Cash Equivalents or within the Statement of Cash Flows.

7. Receivables	3(i)				
Current					
Student tuition fees		5,262	4,261	5,262	4,261
Less: provision for impaired receivables		(433)	(251)	(433)	(251)
		4,829	4,010	4,829	4,010
Trade debtors		23,764	17,663	22,126	16,018
Less: provision for impaired receivables		(352)	(351)	(148)	(50)
		23,412	17,312	21,978	15,968
Sundry debtors and accrued income		9,134	22,757	9,134	22,757
Less: provision for impaired receivables		(2,276)	(2,128)	(2,276)	(2,128)
		6,858	20,629	6,858	20,629
Student loans		140	145	140	145
Less: provision for impaired receivables		(92)	(99)	(92)	(99)
		48	46	48	46
		35,147	41,997	33,713	40,653

(a) Impaired receivables

As at 31 December 2016 current receivables of the group with a nominal value of \$3.3 million (2015: \$2.8 million) were impaired. The amount of the provision was \$3.2 million (2015: \$2.8 million). The individually impaired receivables relate to outstanding trade, sundry and student debtors. It was assessed that a portion of the receivables is expected to be recovered.

The ageing of impaired receivables is as follows:

0 to 3 months	103	102	103	102
3 to 6 months	156	58	156	58
Over 6 months	3,074	2,669	2,870	2,368
Total current impaired receivables	3,333	2,829	3,129	2,528

As at 31 December 2016 current receivables of the group of \$35.0 million (2015: \$42.0 million) were not impaired. These receivables mainly relate to a number of Government agencies and independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

0 to 3 months	28,728	36,525	28,323	35,956
3 to 6 months	5,211	4,697	4,672	4,410
Over 6 months	1,028	775	538	287
Total past due but not impaired current receivables	34,967	41,997	33,533	40,653

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
7. Receivables - continued					
(a) Impaired receivables - continued					
The movement in the provision for impaired receivables is as follows:					
At 1 January		2,829	2,621	2,528	2,506
Net provision for impairment recognised/(reversed) during the year		95	81	123	(113)
Receivables written off during the year as uncollectible		229	127	298	135
At 31 December		3,153	2,829	2,949	2,528

The creation and release of the provision for impaired receivables has been included in 'Finance and fund administration' in the Statement of Comprehensive Income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. The other amounts within receivables do not contain impaired assets and it is expected that these amounts will be received in full.

8. Other Financial Assets

Current

Other loans		92	92	147	147
Held-to-maturity - bank term investments		10,000	60,265	10,000	60,000
		10,092	60,357	10,147	60,147

Non-current

Fair value through profit or loss

Endowment Fund - external fund managers	3(k)	270,600	248,929	270,600	248,926
Other shares		20,461	23,736	20,430	17,092
Total fair value through profit or loss		291,061	272,665	291,030	266,018

Other loans		31	122	31	177
Total non-current other financial assets		291,092	272,787	291,061	266,195

Held-to-maturity - bank term investments

The University invests its surplus working capital into bank term investments and these bank term investments have been reported as Financial Assets held-to-maturity. As a result these funds are not reported within Cash and Cash Equivalents in Note 6 or within the Statement of Cash Flows.

Endowment Fund

The University holds investments arising from donations and bequests for the purpose of funding scholarships, prizes and research. These funds are invested with external fund managers in unlisted managed investment schemes.

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
9. Derivative Financial Instruments					
Current Assets					
Foreign currency swap contracts - cash flow hedges		-	2	-	2
Non-Current Liabilities					
Interest rate swap contracts - cash flow hedges		13,856	15,706	13,856	15,706
During 2007 the University entered into nine \$10.0 million forward start interest rate swaps (totalling \$90.0 million), to manage its interest rate exposures on planned borrowings for its North Terrace Development Strategy. The swaps commenced in February 2010 and amortise on a straight line basis over twenty years. The University is obligated to pay a fixed interest rate of 6.65%. These interest rate swaps are effective hedges and the fair value of these hedges are recorded as a non-current liability. During the year the University entered into foreign currency swaps totalling \$3.5 million (2015: \$3.6 million) to manage USD foreign currency exposures. These foreign currency swaps were effective hedges and the fair value of these hedges were recorded as a current asset. The swap contracts were delivered when due with \$nil (2015: \$0.002 million) remaining in existence as at 31 December 2016.					
10. Inventories	3(o)				
Consumable materials and trading stock		2,010	1,666	697	684
Livestock		381	356	-	-
Provision for obsolescence		(50)	(50)	(50)	(50)
		<u>2,341</u>	<u>1,972</u>	<u>647</u>	<u>634</u>
The University wrote down inventories by nil during the year ended 31 December 2016 (2015: \$0.02 million) on identification of obsolete and overvalued items.					
11. Other Non-Financial Assets					
Current					
Prepayments		10,384	8,931	10,325	8,881
Accrued income		1,404	2,609	1,303	2,526
		<u>11,788</u>	<u>11,540</u>	<u>11,628</u>	<u>11,407</u>
Non-current					
Prepayments		7,632	7,899	7,632	7,899
Total Other Non-Financial Assets		<u>19,420</u>	<u>19,439</u>	<u>19,260</u>	<u>19,306</u>
12. Non-current Assets Classified as Held for Sale	3(q)				
Current					
Land held for sale		-	19,901	-	19,901
Buildings held for sale		-	2,699	-	2,699
		<u>-</u>	<u>22,600</u>	<u>-</u>	<u>22,600</u>
Non-current Assets held for sale are stated at the lower of the carrying amount and the fair value less costs to sell. For the fair value of the non-current assets refer to Note 31.					
13. Investments Accounted for Using the Equity Method	3(n)				
Investments in associates	33				
At cost		-	-	-	-
Equity accounted		231	452	-	-
Interests in joint ventures	35				
At cost		-	-	972	972
Equity accounted		1,771	1,669	-	-
		<u>2,002</u>	<u>2,121</u>	<u>972</u>	<u>972</u>
14. Available-for-sale Financial Assets					
Non-current					
Investments in controlled entities	32	-	-	22,902	22,366

15. Property, Plant and Equipment

Consolidated	Trust Land	Other Land	Trust Buildings	Other Buildings	WIP	Leasehold Improvements	Library Collections	Works of Art	Plant and Equipment	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
As at 1 January 2015										
Cost	-	-	17,485	1,400	27,292	20,405	1,195	-	180,912	248,689
Valuation	150,824	51,142	760,307	67,257	-	-	20,852	7,768	-	1,058,150
Accumulated depreciation/amortisation	-	-	(22,040)	(2,033)	-	(10,652)	(2,167)	-	(110,931)	(147,823)
Net book amount	150,824	51,142	755,752	66,624	27,292	9,753	19,880	7,768	69,981	1,159,016
Year ended 31 December 2015										
Opening net book amount	150,824	51,142	755,752	66,624	27,292	9,753	19,880	7,768	69,981	1,159,016
Additions	-	-	-	-	90,530	-	876	78	14,332	105,816
Assets included in a disposal group classified as held for sale and other disposals	-	(1,197)	-	-	-	(35)	(436)	(45)	(963)	(2,676)
Revaluation surplus/(deficit)	-	-	-	-	-	-	-	-	-	-
Impairment loss reversals	-	-	-	1,033	-	-	-	-	-	1,033
Transfers	-	-	27,512	2,683	(35,929)	2,697	-	-	3,037	-
Depreciation/amortisation	-	-	(21,840)	(2,013)	-	(2,222)	(2,179)	-	(13,588)	(41,842)
Closing net book amount	150,824	49,945	761,424	68,327	81,893	10,193	18,141	7,801	72,799	1,221,347
As at 31 December 2015										
Cost	-	-	44,997	4,083	81,893	22,903	1,261	78	189,934	345,149
Valuation	150,824	49,945	760,307	68,290	-	-	21,226	7,723	-	1,058,315
Accumulated depreciation/amortisation	-	-	(43,880)	(4,046)	-	(12,710)	(4,346)	-	(117,135)	(182,117)
Net book amount	150,824	49,945	761,424	68,327	81,893	10,193	18,141	7,801	72,799	1,221,347

15. Property, Plant and Equipment - continued

Consolidated	Trust Land	Other Land	Trust Buildings	Other Buildings	WIP Improvements	Library Collections	Works of Art	Plant and Equipment	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Year ended 31 December 2016									
Opening net book amount as at 1/1/2016	150,824	49,945	761,424	68,327	81,893	10,193	18,141	72,799	1,221,347
Additions	-	-	-	306	179,067	-	628	10	189,534
Assets included in a disposal group classified as held for sale and other disposals	-	-	-	-	(247)	(70)	(1,023)	(391)	(1,743)
Revaluation surplus/(deficit)	11,020	3,197	33,584	1,300	-	-	1,537	-	50,638
Impairment loss reversals	-	-	-	4,843	-	-	-	-	4,843
Transfers	-	-	18,032	1,202	(27,473)	1,312	-	6,927	-
Depreciation/amortisation	-	-	(21,785)	(2,058)	-	(2,706)	(2,194)	(14,806)	(43,549)
Closing net book amount	161,844	53,142	791,255	73,920	233,240	8,729	17,089	74,052	1,421,070
As at 31 December 2016									
Cost	-	-	-	-	233,240	23,810	-	201,639	458,777
Valuation	161,844	53,142	791,255	73,920	-	-	17,089	-	1,104,961
Accumulated depreciation/amortisation	-	-	-	-	-	(15,081)	-	(127,587)	(142,668)
Net book amount	161,844	53,142	791,255	73,920	233,240	8,729	17,089	74,052	1,421,070

15. Property, Plant and Equipment - continued

University	Trust Land \$000	Other Land \$000	Trust Buildings \$000	Other Buildings \$000	WIP \$000	Leasehold Improvements \$000	Library Collections \$000	Works of Art \$000	Plant and Equipment \$000	Total \$000
As at 1 January 2015										
Cost	-	-	17,485	1,400	27,292	20,279	1,195	-	172,222	239,873
Valuation	150,824	49,397	760,307	60,002	-	-	20,852	7,768	-	1,049,150
Accumulated depreciation/amortisation	-	-	(22,040)	(1,960)	-	(10,604)	(2,167)	-	(105,856)	(142,627)
Net book amount	150,824	49,397	755,752	59,442	27,292	9,675	19,880	7,768	66,366	1,146,396
Year ended 31 December 2015										
Opening net book amount	150,824	49,397	755,752	59,442	27,292	9,675	19,880	7,768	66,366	1,146,396
Additions	-	-	-	-	90,530	-	876	78	13,879	105,363
Assets included in a disposal group classified as held for sale and other disposals	-	(1,197)	-	-	-	(35)	(436)	(45)	(480)	(2,193)
Impairment loss reversals	-	-	-	1,033	-	-	-	-	-	1,033
Transfers	-	-	27,512	2,683	(35,929)	2,697	-	-	3,037	-
Depreciation/amortisation	-	-	(21,840)	(1,941)	-	(2,211)	(2,179)	-	(12,989)	(41,160)
Closing net book amount	150,824	48,200	761,424	61,217	81,893	10,126	18,141	7,801	69,813	1,209,439
As at 31 December 2015										
Cost	-	-	44,997	4,083	81,893	22,777	1,261	78	181,336	336,425
Valuation	150,824	48,200	760,307	61,035	-	-	21,226	7,723	-	1,049,315
Accumulated depreciation/amortisation	-	-	(43,880)	(3,901)	-	(12,651)	(4,346)	-	(111,523)	(176,301)
Net book amount	150,824	48,200	761,424	61,217	81,893	10,126	18,141	7,801	69,813	1,209,439

15. Property, Plant and Equipment - continued

University	Trust Land \$000	Other Land \$000	Trust Buildings \$000	Other Buildings \$000	WIP \$000	Leasehold Improvements \$000	Library Collections \$000	Works of Art \$000	Plant and Equipment \$000	Total \$000
Year ended 31 December 2016										
Opening net book amount as at 1/1/2016	150,824	48,200	761,424	61,217	81,893	10,126	18,141	7,801	69,813	1,209,439
Additions	-	-	-	307	179,067	-	628	10	9,125	189,137
Assets included in a disposal group classified as held for sale and other disposals	-	-	-	-	(247)	(70)	(1,023)	(12)	(315)	(1,667)
Revaluation surplus	11,020	3,092	33,584	-	-	-	1,537	-	-	49,233
Impairment loss reversals	-	-	-	3,632	-	-	-	-	-	3,632
Transfers	-	-	18,032	1,202	(27,473)	1,312	-	-	6,927	-
Depreciation/amortisation	-	-	(21,785)	(2,000)	-	(2,695)	(2,194)	-	(14,344)	(43,018)
Closing net book amount	161,844	51,292	791,255	64,358	233,240	8,673	17,089	7,799	71,206	1,406,756
As at 31 December 2016										
Cost	-	-	-	-	233,240	23,684	-	88	195,813	452,825
Valuation	161,844	51,292	791,255	64,358	-	-	17,089	7,711	-	1,093,549
Accumulated depreciation/amortisation	-	-	-	-	-	(15,011)	-	-	(124,607)	(139,618)
Net book amount	161,844	51,292	791,255	64,358	233,240	8,673	17,089	7,799	71,206	1,406,756

	Other Intangible Assets	Consolidated Intangibles in Progress	Total
16. Intangible Assets			
As at 1 January 2015			
Cost	53,682	8,580	62,262
Accumulated amortisation and impairment	(35,675)	-	(35,675)
Net book amount as at 1 January 2015	18,007	8,580	26,587
Year ended 31 December 2015			
Opening net book amount	18,007	8,580	26,587
Additions	431	10,023	10,454
Disposals	-	(124)	(124)
Transfer to / (from) WIP	8,947	(8,947)	-
Amortisation charge	(7,370)	-	(7,370)
Closing net book amount as at 31 December 2015	20,015	9,532	29,547
As at 31 December 2015			
Cost	62,625	9,532	72,157
Accumulated amortisation and impairment	(42,610)	-	(42,610)
Net book amount as at 31 December 2015	20,015	9,532	29,547
Year ended 31 December 2016			
Opening net book amount	20,015	9,532	29,547
Additions	364	12,725	13,089
Disposals	-	(48)	(48)
Transfer to / (from) WIP	11,097	(11,097)	-
Amortisation charge	(6,276)	-	(6,276)
Closing net book amount as at 31 December 2016	25,200	11,112	36,312
As at 31 December 2016			
Cost	74,085	11,112	85,197
Accumulated amortisation and impairment	(48,885)	-	(48,885)
Net book amount as at 31 December 2016	25,200	11,112	36,312

		University	
		Other Intangible Assets	Intangibles in Progress
			Total
16. Intangible Assets - continued			
As at 1 January 2015			
Cost	53,682	8,580	62,262
Accumulated amortisation and impairment	(35,675)	-	(35,675)
Net book amount as at 1 January 2015	18,007	8,580	26,587
Year ended 31 December 2015			
Opening net book amount	18,007	8,580	26,587
Additions	431	10,023	10,454
Disposals	-	(124)	(124)
Transfer to / (from) WIP	8,947	(8,947)	-
Amortisation charge	(7,370)	-	(7,370)
Closing net book amount as at 31 December 2015	20,015	9,532	29,547
As at 31 December 2015			
Cost	62,625	9,532	72,157
Accumulated amortisation and impairment	(42,610)	-	(42,610)
Net book amount as at 31 December 2015	20,015	9,532	29,547
Year ended 31 December 2016			
Opening net book amount	20,015	9,532	29,547
Additions	364	12,725	13,089
Disposals	-	(48)	(48)
Transfer to / (from) WIP	11,097	(11,097)	-
Amortisation charge	(6,276)	-	(6,276)
Closing net book amount as at 31 December 2016	25,200	11,112	36,312
As at 31 December 2016			
Cost	74,085	11,112	85,197
Accumulated amortisation and impairment	(48,885)	-	(48,885)
Net book amount as at 31 December 2016	25,200	11,112	36,312

	Note	Consolidated		University	
		2016 \$000	2015 \$000	2016 \$000	2015 \$000
17. Payables					
Current					
Accounts payable		58,853	54,263	55,388	49,548
Annual and long service leave oncosts	21	5,213	4,682	5,134	4,526
Accruals		5,446	5,840	3,048	2,628
Salary and related expenses payable		11,051	10,448	11,047	10,445
OS-HELP Liability to Australian Government		1,775	1,305	1,775	1,305
		82,338	76,538	76,392	68,452
Non-current					
Annual and long service leave oncosts	21	11,493	11,737	11,471	11,721
		11,493	11,737	11,471	11,721
Total Payables		93,831	88,275	87,863	80,173
18. Borrowings					
Current					
Interest bearing borrowings		5,000	5,000	5,000	5,000
Non-current					
Interest bearing borrowings		62,510	46,510	62,510	46,510
Total Borrowings		67,510	51,510	67,510	51,510

The University maintains an unsecured \$40 million Multi-Option Facility (as a standby working capital facility) and further unsecured Revolving Facilities with total limits of \$117.5 million. As at 31 December 2016 the standby working capital facility has not been drawn and \$67.5 million of the Revolving Facilities is drawn.

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
19. Provisions					
Current					
Workers' compensation provision		614	376	614	376
Annual and long service leave	21	28,182	25,162	27,446	23,917
Insurance provision		2,563	2,412	2,563	2,412
		31,359	27,950	30,623	26,705
Non-current					
Workers' compensation provision		616	359	616	358
Annual and long service leave	21	56,868	55,610	56,681	55,458
Defined benefit fund net liability	26(c)	7,866	8,360	7,866	8,360
		65,350	64,329	65,163	64,176
Total Provisions		96,709	92,279	95,786	90,881
		Workers' compensation provision	Annual and long service leave	Insurance Provision	Defined benefit fund net liability
		\$000	\$000	\$000	\$000
Movements in provisions					
Consolidated - current					
Carrying amount at start of year		376	25,162	2,412	-
Additional/(reductions in) provisions recognised		238	3,020	151	-
Carrying amount at the end of the year		614	28,182	2,563	-
Consolidated - non-current					
Carrying amount at start of year		359	55,610	-	8,360
Additional/(reductions in) provisions recognised		257	1,258	-	(494)
Carrying amount at the end of the year		616	56,868	-	7,866
Movements in provisions					
University - current					
Carrying amount at start of year		376	23,917	2,412	-
Additional/(reductions in) provisions recognised		238	3,529	151	-
Carrying amount at the end of the year		614	27,446	2,563	-
University - non-current					
Carrying amount at start of year		358	55,458	-	8,360
Additional/(reductions in) provisions recognised		258	1,223	-	(494)
Carrying amount at the end of the year		616	56,681	-	7,866

Workers' compensation provision

Provision is made based on an actuarial assessment of workers' compensation estimated claims liability for future years. Refer to policy Note 3(u) Workers' Compensation.

Annual and long service leave

Provision is made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Refer to policy Note 3(h) Employee Benefits.

Insurance provision

Provision has been made for the actuarial assessment of future liability to the University for losses incurred prior to 31 December 2016 that were expected to be paid subsequent to 1 January 2017 and are below the University deductible in the University insurance policies.

Defined benefit fund net liability

Provision is made for the Super Scheme A 1985 defined benefit obligation in accordance with AASB 119 Employee Benefits. Refer to Note 3(h) Employee Benefits and Note 26(c) The University of Adelaide Super Scheme A 1985.

	Note	Consolidated		University	
		2016 \$000	2015 \$000	2016 \$000	2015 \$000
20. Other Liabilities					
Current					
Outside funded positions		337	770	337	770
Income in advance		239	1,538	1,131	754
Student tuition fees received in advance		13,721	11,863	13,721	11,863
Residential bonds		342	356	342	356
Employee benefits – separation packages		1,085	4,080	1,038	3,808
Funds held on deposit		-	-	8,445	3,592
Other		2,536	2,342	2,517	2,342
		18,260	20,949	27,531	23,485
Non-Current					
Other		154	1,555	154	1,555
		154	1,555	154	1,555
Total Other Liabilities		18,414	22,504	27,685	25,040

21. Employee Benefits and Related On-Cost Liabilities

In accordance with the requirements of AASB 119 "Employee Benefits", employee on-costs are required to be reported as payables whilst leave liability amounts are reported separately in Note 19. Below is a composite note disclosure showing the total liabilities the Consolidated Entity has as at 31 December 2016 relating to employee benefits:

Annual Leave

On-costs included in payables - current	17	3,941	3,408	3,905	3,356
Employee benefits - current	19	21,584	18,802	21,213	18,342
		25,525	22,210	25,118	21,698
On-costs included in payables - non-current	17	1,645	1,430	1,636	1,421
Employee benefits - non-current	19	8,985	7,696	8,904	7,615
		10,630	9,126	10,540	9,036

Long Service Leave

On-costs included in payables - current	17	1,272	1,274	1,229	1,170
Employee benefits - current	19	6,598	6,360	6,233	5,575
		7,870	7,634	7,462	6,745
On-costs included in payables - non-current	17	9,848	10,307	9,835	10,300
Employee benefits - non-current	19	47,883	47,914	47,777	47,843
		57,731	58,221	57,612	58,143
		101,756	97,191	100,732	95,622

22. Retained Surplus and Reserves

22(a) Summary

Capital reserves

Capital reserve	-	2,971	-	-
Capital profits reserve	-	1,481	-	-
Asset revaluation surplus	346,229	295,592	344,575	295,342
Initial asset recognition reserve	279,124	279,124	279,124	279,124
Available-for-sale financial assets revaluation reserve	-	-	22,902	22,366
	625,353	579,168	646,601	596,832

Specific purpose reserves

Special reserve	300,787	319,937	300,787	319,937
Bequests/donations unspent income reserve	9,049	7,129	9,049	7,129
Restricted purpose bequest capital reserve	177,655	172,571	177,655	172,571
Endowment fund revaluation reserve	126,647	108,719	126,647	108,719
	614,138	608,356	614,138	608,356

Retained surplus	329,813	268,310	305,753	249,254
-------------------------	----------------	----------------	----------------	----------------

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
22. Reserves - continued					
22(b) Movements in reserves					
Capital reserve					
Opening balance		2,971	2,971	-	-
Current year movement		(2,971)	-	-	-
Closing balance		-	2,971	-	-
Capital profits reserve					
Opening balance		1,481	1,481	-	-
Current year movement		(1,481)	-	-	-
Closing balance		-	1,481	-	-
Asset revaluation surplus					
Opening balance		295,592	295,592	295,342	295,342
Add revaluation increment on property, plant and equipment		50,637	-	49,233	-
Closing balance		346,229	295,592	344,575	295,342
Initial asset recognition reserve					
Opening balance		279,124	279,124	279,124	279,124
Current year movement		-	-	-	-
Closing balance		279,124	279,124	279,124	279,124
Available-for-sale financial assets revaluation reserve					
Opening balance		-	-	22,366	25,562
Current year movement		-	-	536	(3,196)
Closing balance		-	-	22,902	22,366
Special reserve					
Opening balance		319,937	308,826	319,937	308,826
Current year movement		5,782	23,257	5,782	23,257
Transfer (to) / from retained surplus		(24,932)	(12,146)	(24,932)	(12,146)
Closing balance		300,787	319,937	300,787	319,937
Bequests/donations unspent income reserve					
Opening balance		7,129	7,511	7,129	7,511
Transfer (to) / from retained surplus		1,920	(382)	1,920	(382)
Closing balance		9,049	7,129	9,049	7,129
Restricted purpose bequest capital reserve					
Opening balance		172,571	169,730	172,571	169,730
Transfer from retained surplus		5,084	2,841	5,084	2,841
Closing balance		177,655	172,571	177,655	172,571
Endowment fund revaluation reserve					
Opening balance		108,719	99,032	108,719	99,032
Transfer (to) / from retained surplus		17,928	9,687	17,928	9,687
Closing balance		126,647	108,719	126,647	108,719

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
22. Reserves - continued					
22(c) Nature and purpose of reserves					
Capital reserve					
Represents capital accounts held within controlled entities of the University.					
Capital profits reserve					
Represents the accumulation of realised revalued increments of assets sold.					
Asset revaluation surplus					
Is used to record increments and decrements on the revaluation of non-current assets. Refer accounting policy note 3(p).					
Initial asset recognition reserve					
Represents the equity impact arising from the recognition of assets which until the first time the University prepared a set of accrual financial statements, had not previously been recognised.					
Available for sale financial assets revaluation reserve					
Is used to record increments and decrements on the revaluation of available for sale financial assets. Refer accounting policy note 3(k).					
Specific purpose reserves					
Represents a number of reserves generated through a series of specific purpose transactions, that can only be used in accordance with the attributes of the generating transactions. The special reserve is created for surplus funds which will be specifically acquitted in future accounting periods.					
23. Reconciliation of net cash provided by operating activities to net operating result					
Net operating result		60,908	51,614	60,237	54,354
Add/(subtract) non cash items					
Amortisation	5	8,982	9,592	8,971	9,581
Depreciation	5	40,843	39,622	40,323	38,948
Write down / (up) of investments		(19,996)	(17,308)	(21,266)	(17,687)
Other revenue/expenses		(14,001)	18,119	(17,923)	16,537
Reversal of impairment of other buildings	4	(4,843)	(1,033)	(3,632)	(1,033)
Impairment loss on non-current assets held for sale	5	-	79	-	79
Funds held on deposit		-	-	2,000	1,500
(Profit)/loss on sale of property, plant and equipment		(1,293)	(12,526)	(1,336)	(12,549)
Changes in assets/liabilities					
(Increase)/decrease in inventories		(369)	121	(13)	195
(Increase)/decrease in receivables		6,850	(10,518)	6,940	(9,905)
(Increase)/decrease in other assets		9	1,665	46	1,611
Increase/(decrease) in payables		5,556	6,804	7,690	7,556
Increase/(decrease) in other liabilities		(2,689)	3,399	2,645	3,309
Increase/(decrease) in provisions		4,430	3,769	4,905	3,915
Net cash provided by operating activities		84,387	93,399	89,587	96,411

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
24. Commitments					
Operating expenditure					
Contracted but not provided for and payable:					
Within one year		23,781	20,923	23,781	20,418
Between one and five years		10,705	12,239	10,705	12,239
Later than five years		-	-	-	-
Total operating expenditure commitments		34,486	33,162	34,486	32,657
Capital commitments					
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:					
Property, plant and equipment					
Within one year		22,905	137,648	22,905	137,648
Between one and five years		-	-	-	-
Later than five years		-	-	-	-
Total capital commitments		22,905	137,648	22,905	137,648
Lease commitments					
Operating Leases					
The operating lease commitments primarily relate to leases of photocopiers, computers, office equipment and office space.					
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:					
Within one year		13,695	13,006	13,695	13,006
Between one and five years		35,052	36,762	35,052	36,762
Later than five years		13,390	18,953	13,390	18,953
Total future minimum lease payments		62,137	68,721	62,137	68,721

25. Contingencies

(a) Guarantees

On July 1 2006 the University ceased to be a Crown exempt employer and was required to register as an exempt employer with ReturnToWorkSA and provide a bank guarantee to cover projected workers' compensation outstanding claims liabilities. Currently, the University has provided a \$1.5 million bank guarantee to ReturnToWorkSA. The amount of the guarantee was based on an actuarial assessment of the projected workers' compensation claims liabilities. In 2016, the University was advised by ReturnToWorkSA that it had approved a self-insurance renewal for a period of five years with an agreed renewal date of 21 March 2021.

(b) Superannuation

(i) The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)

The University has guaranteed that members of this superannuation scheme will receive defined benefits in the event that this closed scheme has insufficient assets to meet the benefits. Employer contributions of 14% of salaries recommenced on actuarial advice as from 1 January 2003 to ensure there are sufficient assets in the scheme to meet expected future liabilities of remaining members. Refer to Note 26(c).

(ii) UniSuper Limited Superannuation Schemes

Refer to Note 26(b).

(c) Litigation

In the ordinary course of its operations, the University and its controlled entities become involved in legal disputes. At the date of adoption of these financial statements, some matters remain outstanding. On legal advice, the University is of the opinion that no material losses are likely to arise. Notwithstanding the fact the University is of the opinion that no material losses are likely to arise, an action has been served upon one of the University's Controlled Entities, Adelaide Unicare, which is subject to a process of confidential mediation. The outcome of this mediation process may have an impact on the carrying value of both the University available-for-sale financial assets and the net assets recognised in the University Consolidated Financial Statements. The University or its controlled entities will make a provision where a material loss is identified. Claims of an insurance nature have been covered by a provision of \$2.6 million to the extent that such claims are not covered by the University's comprehensive insurance program. Refer Note 19.

26. Superannuation Schemes

(a) Categories

The University contributes to a range of superannuation schemes, which are divided into the following categories:

- (i) Those operative and open to membership:
 - UniSuper Defined Benefit Plan or Accumulation Super 2
 - Accumulation Super 1
- (ii) Those operative but closed to future membership:
 - The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)
- (iii) State Government Schemes closed to future membership by University employees:
 - State Pension Scheme
 - State Lump Sum Scheme

(b) UniSuper Limited Superannuation Schemes

The employees' UniSuper plan is determined by the terms of employment and is administered by UniSuper Management Pty Ltd with UniSuper Ltd as the trustee.

The employer contribution rate during 2016 for employees in either the Defined Benefit Division or Accumulation Super 2 was 14% of salaries plus 3% of salaries. The contribution to the Accumulation Super 1 and for employees only in the Accumulation Super 1 was 9.5% of salaries.

The operation of Clause 34 of the Trust Deed (as amended in 2006) means that the UniSuper Defined Benefit Division is a defined contribution fund for the purpose of AASB 119, allowing participating employers to treat the UniSuper Defined Benefit Division as a defined contribution fund.

While remaining a defined benefits plan under superannuation law, the change in the UniSuper Trust Deed effectively alters the nature of the scheme to a defined contribution scheme under AASB 119.

Clause 34 states that where the trustee considers the assets to be insufficient to provide benefits payable under the Deed, the Trustee must consider reducing the benefits of its members on a fair and equitable basis.

Clause 34 monitoring periods were initiated following the 30 June 2012 and 30 June 2013 actuarial investigations.

Following the end of the monitoring period commencing on 30 June 2012, the Funds actuary advised that the Trustee is not required to take any further action, and that the monitoring period is now ceased. The monitoring period commencing on 30 June 2013 is still in place.

As set out under paragraph 28 of AASB119 a defined contribution plan is a plan where the employer's legal or constructive obligation is limited to the amount it agrees to contribute to the fund and the actuarial risk and investment risk fall on the employee.

As at 30 June 2016 the assets of the Defined Benefit Division in aggregate were estimated to be \$2,252 million (30 June 2015: \$1,479 million) above vested benefits after allowing for various reserves. The Vested Benefits Index based on funding assumptions was 112.2%. The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving the service of the participating institution) and include the value of indexed pensions being provided by the Defined Benefit Division.

As at 30 June 2016 the assets of the Defined Benefit Division in aggregate were estimated to be \$3,757 million (30 June 2015: \$3,377 million) above accrued benefits after allowing for various reserves. The Accrued Benefits Index based on best estimate assumptions was 122.2%. The accrued benefits have been calculated as the present value of expected future benefit payments to members and indexed pensioners which arise from membership of UniSuper up to the reporting date.

The actuarial investigation of the Fund as 1 July, 2016 was conducted by Ms Kate Maartensz and Ms Jennifer Wong, Fellows of the Institute of Actuaries of Australia, using the actuarial demographic assumptions outlined in their report on the actuarial investigation of the Defined Benefit Division as at 1 July 2016. The financial assumptions used were:

	Vested Benefits	Accrued Benefits
Gross of tax investment return - Defined Benefit Division pensions	5.30% p.a.	6.90% p.a.
Gross of tax investment returns - commercial rate indexed pensions	3.70% p.a.	3.70% p.a.
Net of tax investment return - non pensioner members	4.60% p.a.	6.10% p.a.
Consumer Price Index	2.50% p.a.	2.50% p.a.
Inflationary salary increases long term	3.50% p.a.	3.50% p.a.

Assets have been included at their net market value, that is, after allowing for realisation costs.

26. Superannuation Schemes – continued

(c) The University of Adelaide Superannuation Scheme A 1985

The University of Adelaide Superannuation Scheme A 1985 (Scheme) is a defined benefit plan in accordance with AASB 119 Employee Benefits that provides superannuation benefits for employees who had not transferred to UniSuper. The Trustee and administrator of the Scheme is Tidswell Financial Services Ltd. The Scheme is governed by a separate trust deed and the general laws relating to trusts and superannuation.

Nature of the benefits provided by the Scheme

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. Some defined benefit members are also eligible for pension benefits in some cases. The defined benefit section of the Scheme is closed to new members. All new members receive accumulation only benefits.

Description of the regulatory framework

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

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

The Scheme's Trustee is responsible for the governance of the Scheme. The Trustee has a legal obligation to act solely in the best interests of the Scheme beneficiaries. The Trustee has the following roles:

- Administration of the Scheme and payment to the beneficiaries from Scheme assets when required in accordance with the Scheme rules;
- Management and investment of the Scheme assets; and
- Compliance with superannuation law and other applicable regulations.

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

Description of risks

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

- **Investment risk** - The risk that investments returns will be lower than assumed and the University will need to increase contributions to offset this shortfall.
- **Salary growth risk** - The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- **Legislative risk** - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.
- **Pension risk** - The risk is firstly that pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period. Secondly, that a greater proportion of eligible members will elect to take a pension benefit, which is generally more valuable than the corresponding lump sum benefit.
- **Inflation risk** - The risk that inflation is higher than anticipated, increasing pension payments, and thereby requiring additional employer contributions.
- **Timing of members leaving service** - As the Scheme has only a small number of members, members leaving may have an impact on the financial position of the Scheme, depending on the financial position of the Scheme at the time they leave. The impact may be positive or negative, depending upon the circumstances and timing of the withdrawal.

The defined benefit assets are invested in the investment options with benchmark exposure to 'growth' assets such as shares and property of about 65%, with the remaining 35% exposed to 'defensive' assets such as cash and bonds. The assets are diversified within these investment options and therefore the Scheme has no significant concentration of investment risk.

Description of significant events

There were no plan amendments affecting the defined benefits payable, curtailments or settlements during the year.

26. Superannuation Schemes – continued

(c) The University of Adelaide Superannuation Scheme A 1985 - continued

	Note	2016 \$000	2015 \$000
Reconciliation of the Net Defined Benefit Liability/(Asset)			
Net defined benefit liability/(asset) at the beginning of the year		8,360	8,082
Add			
Current service costs		434	440
Net interest		242	233
Actuarial (gains) / losses arising from changes in financial assumptions		300	(107)
Actuarial (gains) / losses arising from liability experience		382	(64)
Less			
Actual return on Scheme assets less interest income		(878)	160
Employer contributions		(974)	(384)
Net defined benefit liability/(asset) at the end of the year		<u>7,866</u>	<u>8,360</u>
Reconciliation of the defined benefit obligation			
Present value of defined benefit obligations at the beginning of the year		21,525	21,620
Add			
Current service costs		434	440
Interest cost		664	677
Contributions by Scheme participants		36	33
Actuarial (gains) / losses arising from changes in financial assumptions		300	(107)
Actuarial (gains) / losses arising from liability experience		382	(64)
Less			
Benefits paid		(832)	(831)
Taxes, premiums and expenses paid		(399)	(243)
Present value of defined benefit obligations at the end of the year		<u>22,110</u>	<u>21,525</u>
Reconciliation of the fair value of Scheme assets			
		13,165	13,538
Add			
Interest income		422	444
Actual return on Scheme assets less interest income		878	(160)
Employer contributions		974	384
Contributions by Scheme participants		36	33
Less			
Benefits paid		(832)	(831)
Taxes, premiums and expenses paid		(399)	(243)
Fair value of Scheme assets at the end of the year		<u>14,244</u>	<u>13,165</u>
Reconciliation of the Assets and Liabilities recognised in the Statement of Financial Position			
Defined benefit obligation including contributions tax provision		22,110	21,525
Less			
Fair value of scheme assets		(14,244)	(13,165)
Defined benefit fund net liability	19	<u>7,866</u>	<u>8,360</u>
Expense recognised in the Statement of Comprehensive Income			
Service cost		434	440
Net interest		242	233
Defined benefit cost recognised in Net operating result		<u>676</u>	<u>673</u>
Amounts recognised in Other Comprehensive Income			
Actuarial (gains) / losses		682	(171)
Actual return on Scheme assets less interest income		(878)	160
Total remeasurements recognised in Other Comprehensive Income		<u>(196)</u>	<u>(11)</u>
Reconciliation of the Effect of the Asset Ceiling			
The asset ceiling has no impact on the net defined benefit liability.			

26. Superannuation Schemes – continued

(c) The University of Adelaide Superannuation Scheme A 1985 - continued

Fair value of Scheme assets

As at 31 December 2016

	2016	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Asset Category				
Investment Funds	14,244	-	14,244	-
	14,244	-	14,244	-

As at 31 December 2015

	2015	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Asset Category				
Investment Funds	13,165	-	13,165	-
	13,165	-	13,165	-

Scheme assets

The percentage invested in each asset class at the reporting date:

	2016	2015
Australian equity	39%	41%
International equity	16%	17%
Fixed income	35%	32%
Property	7%	7%
Cash	3%	3%

Fair value of University's own financial instruments

The fair value of Scheme assets does not include amounts relating to any of the University's own financial instruments or any property occupied by, or other assets used by, the University.

	2016	2015
	\$'000	\$'000
Actual return on scheme assets	1,300	284

Significant actuarial assumptions at the balance date

Assumptions to determine Defined Benefit Cost

Discount rate	3.40%	3.40%
Expected salary increase rate	3.00%	3.00%
Expected pension increase rate	2.50%	2.50%

Assumptions to determine Defined Benefit Obligation

Discount rate	3.30%	3.44%
Expected salary increase rate	3.00%	3.00%
Expected pension increase rate	2.50%	2.50%

26. Superannuation Schemes – continued

(c) The University of Adelaide Superannuation Scheme A 1985 - continued

Sensitivity Analysis

The defined benefit obligation as at 31 December 2016 under several scenarios is presented below.

Scenario A and B relate to discount rate sensitivity. Scenario C and D relate to salary increase rate sensitivity. Scenario E to H relate to sensitivities on pension assumptions.

Scenario A: 0.5% pa lower discount rate assumption

Scenario B: 0.5% pa higher discount rate assumption

Scenario C: 0.5% pa lower salary increase rate assumption

Scenario D: 0.5% pa higher salary increase rate assumption

Scenario E: 0.5% pa lower pension increase rate assumption

Scenario F: 0.5% pa higher pension increase rate assumption

Scenario G: 10% lower pensioner mortality rate assumption

Scenario H: 10% higher pensioner mortality rate assumption

	Base Case	A	B	C	D
		-0.5% pa discount rate	+0.5% pa discount rate	-0.5% pa salary increase rate	+0.5% pa salary increase rate
Discount rate	3.3% pa	2.8% pa	3.8% pa	3.3% pa	3.3% pa
Salary increase rate	3.0% pa	3.0% pa	3.0% pa	2.5% pa	3.5% pa
Defined benefit obligation^ (\$'000)	22,110	23,552	20,795	22,013	22,206

	Base Case	E	F	G	H
		-0.5% pa pension increase rate	+0.5% pa pension increase rate	10% lower pensioner mortality rate	10% higher pensioner mortality rate
Pension increase rate	2.5% pa	2.0% pa	3.0% pa	2.5% pa	2.5% pa
Pensioner mortality (MSRP*)	100%	100%	100%	90%	110%
Defined benefit obligation^ (\$'000)	22,110	20,868	23,457	23,066	21,264

^ includes defined benefit contributions tax provision

* Mercer Standard Retiree Pensioner Mortality rates 2005-2009

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Asset-Liability matching strategies

The University is not aware of any asset and liability matching strategies adopted by the Scheme.

Expected contributions

The expected employer contributions for the year ended 31 December 2017 are \$1.0 million (2016: \$0.3 million).

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation as at 31 December 2016 is 13 years.

Expected benefit payments for the financial year ending on	\$000
31 December 2017	965
31 December 2018	960
31 December 2019	967
31 December 2020	956
31 December 2021	954
Following 5 years	4,453

26. Superannuation Schemes – continued

(d) State Government Superannuation Schemes

In 1991, employees of the City Campus of the South Australian College of Advanced Education and Roseworthy Agricultural College were transferred to the University. Their terms of appointment to the University protected their membership of the State Pension Scheme and State Lump Sum Scheme. The schemes are administered by Super SA on behalf of the South Australian Superannuation Board. The schemes provide defined benefits and are mainly unfunded. The only employer contributions made in 2016 were 3% of salaries, and remaining benefits are met on an emerging cost basis.

Under current arrangements, Super SA pays eligible members their benefit and is reimbursed by the University for the shortfall in the employer's contribution. The Commonwealth Government fully funds the University on an emerging costs basis for the costs and recovers the State's share of the cost directly from the State Government under a Commonwealth/State Agreement. The Agreement provides that the employer component of the superannuation benefits payable to former employees of the University who were members of one of the main State Schemes, be shared.

An actuarial assessment of the University's superannuation liability with respect to future benefits for current employees and pensioners was performed by PricewaterhouseCoopers (the actuary) as at 31 December 2016, using the Projected Unit Credit Method. The actuarial valuation was based on 30 June 2016 membership data which was projected to 31 December 2016. The present value of the defined benefit obligations has been calculated to be \$69.5 million (2015: \$71.5 million).

The actuary estimates that, as at 31 December 2016, using AASB 119 Employee Benefits assumptions there is an unfunded liability of \$66.2 million (2015: \$68.4 million). This represents a decrease in liability of \$2.2 million since 31 December 2015.

The Commonwealth Government has agreed to provide assistance under Division 41-10 Item 6 of the Higher Education Support Act 2003 to meet the additional costs in respect of State Government emerging cost schemes, where costs are in excess of funding provided. The accounting methodology employed in these financial statements is in accordance with "Financial Statement Guidelines for Australian Higher Education Providers for 2016 Reporting Period" provided by the Department of Education and Training. The accounting treatment employed is also consistent with the approach taken by other Australian Universities. Accordingly, total assets of \$66.2 million have been recorded as a "Deferred government superannuation contribution" which offsets the current and non-current liability for the State Government Superannuation Schemes recorded as "Defined Benefit Obligation".

Maturity Profile

The weighted average duration of the defined benefit obligation is 12.97 years (2015: 13.40 years). The expected maturity analysis of undiscounted benefit obligations is as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Defined Benefit obligation 31 December 2016	4,360	4,402	13,226	79,503	101,491
Defined Benefit obligation 31 December 2015	4,331	4,412	13,468	84,511	106,722

Plan Assets

The analysis of the plan assets and the expected rate of return at the balance sheet date is as follows:

	2016 (%)		2015 (%)	
	Active Market	Non-Active Market	Active Market	Non-Active Market
Australian Equities	24.0	0.0	24.0	0.0
International Equities	24.1	0.0	25.6	0.0
Property	2.5	11.8	2.6	11.8
Diversified Strategies Growth	0.8	10.2	0.7	9.0
Diversified Strategies Income	15.7	0.0	13.8	0.0
Inflation Linked Securities	0.0	5.7	0.0	7.2
Long Term Fixed Interest	2.8	0.0	2.0	0.0
Cash	2.4	0.0	3.3	0.0
Total	72.3	27.7	72.0	28.0

26. Superannuation Schemes – continued

(d) State Government Superannuation Schemes - continued

Reconciliation of the present value of the defined benefit obligation

	2016	2015
	\$000	\$000
Reconciliation of the Net Defined Benefit Liability/(Asset)		
Present value of defined benefit obligation at start of year	71,461	74,323
Current service costs	45	35
Interest cost	2,217	2,238
Contributions by plan participants	-	-
Actuarial (gains) / losses		
(a) Impact of changes in demographic assumptions	-	-
(b) Impact of changes in financial assumptions	725	(857)
(c) Experience items	(570)	(347)
Benefits and expenses paid	(4,422)	(3,931)
Present value of defined benefit obligations at end of year	69,456	71,461

Reconciliation of the fair value of the defined benefit plan assets

Fair value of Scheme assets at start of year	3,033	2,820
Interest income	96	85
Actual return on Scheme assets less interest income	155	119
Employer contributions	4,427	3,940
Contributions by Scheme participants	-	-
Benefits and expenses paid	(4,422)	(3,931)
Fair value of Scheme assets at end of year	3,289	3,033

Net Liability

Defined Benefit obligation	69,456	71,461
Fair value of scheme assets	(3,289)	(3,033)
Defined benefit fund net liability	66,167	68,428

Movement in Net Liability

Net superannuation liability/(asset) at start of year	68,428	71,502
Defined Benefit cost	2,165	2,189
Remeasurements	-	(1,323)
Employer contributions	(4,426)	(3,940)
Net superannuation liability/(asset) at end of year	66,167	68,428

Profit and Loss Impact

Service cost	45	35
Net interest	2,121	2,153
Defined Benefit cost	2,166	2,188

Other Comprehensive Income

Actuarial losses/(gains)	155	(1,203)
Actual return on assets less interest income	155	120
Total remeasurements in Other Comprehensive Income	-	(1,323)

26. Superannuation Schemes – continued

(d) State Government Superannuation Schemes - continued

Summary	Consolidated		University	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Deferred Government Superannuation Contribution				
Current asset	4,400	4,300	4,400	4,300
Non-current asset	61,767	64,128	61,767	64,128
	66,167	68,428	66,167	68,428
Defined Benefit Obligation				
Current liability	4,400	4,300	4,400	4,300
Non-current liability	61,767	64,128	61,767	64,128
	66,167	68,428	66,167	68,428

Major economic assumptions

The following major assumptions have been made in assessing the defined benefit superannuation liabilities as at balance date:

	2016	2015
Discount rate	3.1%	3.2%
Long term salary rate increases	4.0%	4.0%
Long term CPI increases	2.5%	2.5%

Sensitivity Analysis

The defined benefit obligation as at 31 December 2016 under several scenarios is presented below.

Scenario A and B relate to discount rate sensitivity. Scenario C and D relate to salary increase rate sensitivity. Scenario E and F relate to sensitivities on pension increase assumptions.

- Scenario A: Discount Rate Plus 0.5%
- Scenario B: Discount Rate Less 0.5%
- Scenario C: Salary Increase Rate Plus 0.5%
- Scenario D: Salary Increase Rate Less 0.5%
- Scenario E: Pension Increase Rate Plus 0.5%
- Scenario F: Pension Increase Rate Less 0.5%

	Base Case	A	B	C
Present value of defined benefit obligation (\$'000)	69,456			
Defined benefit obligation (\$'000)		66,004	73,213	69,505
Change in Defined benefit obligation (%)		-5.0%	5.4%	0.1%

	Base Case	D	E	F
Present value of defined benefit obligation (\$'000)	69,456			
Defined benefit obligation (\$'000)		69,408	73,350	65,851
Change in Defined benefit obligation (%)		-0.1%	5.6%	-5.2%

26. Superannuation Schemes – continued

(e) Contributions

The total employer contributions were:

	Note	2016 \$000	2015 \$000
UniSuper Defined Benefit Division (UniSuper Defined Contribution Plan) or Accumulation Super 2		37,726	36,531
Accumulation Super 1		18,348	17,652
Super SA		52	85
State Government Superannuation Schemes (3%)		5	8
The University of Adelaide Superannuation Scheme A 1985		70	64
Self-managed funds		126	141
		56,327	54,481

27. Disaggregation Information

The University predominantly operates in the field of higher education in Australia. Its primary activities are teaching and research. Income generated overseas from teaching and research activities is not so significant as to warrant disaggregation information disclosure.

28. Auditors' Remuneration

	Consolidated		University	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Audit of the Financial Statements				
Fees paid to South Australian Auditor-General	294	291	294	291
Other auditors of controlled entities	84	101	-	-
	378	392	294	291
Other audit and assurance services				
Other auditors of controlled entities	7	6	-	-
	385	398	294	291

Amounts paid or payable for other audit and assurance services relate to the provision of accounting services.

29. The University Council Members and Senior Management

(a) Names of the University Council Members and Senior Management

University Council Members

Ex officio	Bebbington, Professor Warren	
	Scarce AC CSC RAN (Rtd), Rear Admiral The Hon Kevin Williams, Professor John	reappointed 1/12/2016 appointed 1/1/2016
Appointed	Branson QC, The Hon Catherine Davidson AM, Ms Dianne Hill, Mr David	ceased 31/12/2016
	Liddle, Ms Kerryne Locher, Ms Christine Presser, Ms Kathryn Siebels, Mr Peter	
		appointed 1/1/2016
	Elected Staff	
	Abell, Professor Andrew Hayford, Ms Julie Matthews, Mr Stuart Patrikeeff, Associate Professor Felix	
Elected Graduates	Day, Mr Robin Elliott	re-elected 6/9/2016
	Storer, Mr Timothy	elected 6/9/2016
	Watson AM, Dr Bruce Ian	elected 6/9/2016
Students	Dutcher, Mr Ethan	ceased 5/3/2016
	Johnston, Mr James	ceased 5/3/2016
	Lienert, Mr Jack	ceased 5/3/2016
	Lu, Mr Zhao	elected 6/3/2016
	Nikias, Mr Kyriaco	elected 6/3/2016
	Wojt, Ms Lucinda	elected 6/3/2016

University Senior Management

Ashman, Professor Peter	commenced 8/6/2016
Bebbington, Professor Warren	
Beynon, Professor John	ceased 30/6/2016
Brooks, Professor Mike	
Burt, Professor Alastair	
Cromar, Professor Nancy	commenced 6/6/2016
Davis, Ms Inga	commenced 28/1/2016
Findlay AM, Professor Christopher	
Grantham, Ms Leah	ceased 1/2/2016
Hill, Professor Robert	
Levy, Professor Phillipa	
Lines, Mr Bruce	
Mitchell, Mr Tony	
Owens, Professor Julie	
Quester, Professor Pascale	
Shaw, Professor Jennie	
Williams, Professor John	commenced 1/1/2016

2016	2015
\$000	\$000

29. The University Council Members and Senior Management - continued

(b) Remuneration of the University Council Members and Senior Management

University Council Members

Total remuneration paid to members of Council, or members of its standing committees for the financial year in their role as councillor or members of those committees, is shown below in their relevant bands. Some members of Council are employees of the University or were contractors of the University, and as such receive remuneration in the course of their employment with the University.

\$		\$	Number	Number
NIL			22	25
45,000	-	59,999	1	1
			23	26

The University paid the travel and accommodation costs of some University Council Members to enable attendance at Council meetings during the year. All costs were incurred on normal commercial terms.

University Senior Management

Short-term employee benefits	5,388	5,296
Other long-term benefits	884	891
Termination benefits	101	78
Total senior management personnel compensation	6,373	6,265

\$		\$	Number	Number
175,000	-	189,999	-	2
190,000	-	204,999	2	2
205,000	-	219,999	-	1
220,000	-	234,999	-	1
280,000	-	294,999	2	-
295,000	-	309,999	1	2
310,000	-	324,999	2	-
325,000	-	339,999	1	1
340,000	-	354,999	-	2
355,000	-	369,999	3	-
370,000	-	384,999	-	2
385,000	-	399,999	1	-
475,000	-	489,999	-	1
490,000	-	504,999	-	2
505,000	-	519,999	2	-
535,000	-	549,999	1	-
1,015,000	-	1,029,999	-	1
1,075,000	-	1,089,999	1	-
			16	17

The Department of Education Guidelines specify that senior management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the whole University, directly or indirectly, including any director (whether executive or otherwise) of the University.

Remuneration is based upon the total remuneration package which includes employer and employee (pre tax) superannuation contributions and termination payments, due and receivable, by senior managers from the University while holding a University senior management position. Only senior managers with remuneration in excess of one hundred and thirty thousand have been included in salary bands.

30. Financial Instruments
(a) Interest Rate Risk

The Consolidated Entity has placed its investments in a portfolio managed by independent investment managers. The fund managers may enter into interest rate swaps, futures contracts, interest rate options and other forms of agreements to manage cash flow risks associated with the interest rates on investments that are floating, or to alter interest rate exposures arising from mismatches in repricing dates between assets and liabilities. The Consolidated Entity has entered into forward start interest rate swaps to manage its interest rate exposures on borrowings for its North Terrace Development Strategy. Further details are contained in Note 9.

	Note	Floating Interest Rate	Fixed Maturity Dates					Non- Interest Bearing	Total
			Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2016									
Financial Assets									
Cash & Cash Equivalents	6	40,072	-	-	-	-	-	-	42,146
Receivables	7	-	-	-	-	-	-	-	28,924
Financial Assets	8	-	-	-	-	-	-	-	291,061
Financial Assets Held to Maturity	8	-	10,000	-	-	-	-	-	10,000
Other Financial Assets	8, 13	-	92	31	-	-	-	-	2,125
Derivative Financial Instruments	9	-	-	-	-	-	-	-	-
		40,072	10,092	31	-	-	-	-	324,061
									374,256
Financial Liabilities									
Derivative Financial Instruments	9	-	-	-	-	-	-	-	13,856
Payables	17	-	-	-	-	-	-	-	93,116
Borrowings	18	-	5,000	5,000	5,000	5,000	5,000	42,500	67,510
		-	5,000	5,000	5,000	5,000	5,000	42,500	106,982
									174,482

30. Financial Instruments - continued

(b) Foreign Exchange Risk

The Consolidated Entity has placed its investments in a portfolio managed by independent investment managers. The fund managers may enter into forward foreign currency exchange contracts to hedge overseas fixed interest securities and a portion of overseas equities. The terms of the hedge contracts are usually less than three months.

The Consolidated Entity has entered into foreign currency swaps to manage foreign currency exposures on capital expenditure and library subscriptions. Further details are contained in Note 3(l).

(c) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted.

(i) On Statement of Financial Position financial instruments

The credit risk on financial assets recognised in the Statement of Financial Position is the carrying amount of those assets, net of any allowances for losses.

The credit risk relating to receivables is limited as it consists of a large number of customers across different industries and sectors, including a significant amount owing from Government customers with minimal credit risk. The credit risk relating to cash holdings and investments is limited as the counterparties are banks and investment managers with high credit ratings assigned by international credit-rating agencies.

(ii) Off Statement of Financial Position financial instruments

The reporting entity and its controlled entities do not possess or trade any off Statement of Financial Position financial instruments.

(d) Liquidity Risk

Liquidity risk is managed through maintaining a minimum level of readily accessible funds, by continuously monitoring forecast and actual cash flows, in line with the University's Liquidity Risk Management Policy.

(e) Fair Values of Financial Assets and Financial Liabilities

Fair values of financial assets and financial liabilities are determined by the Consolidated Entity on the following basis:

(i) On Statement of Financial Position financial instruments

The Consolidated Entity has placed its investments in a portfolio managed by independent managers. Listed shares and equities included within these investments are traded in an organised financial market by the fund managers. The Consolidated Entity values these investments at current market value.

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at amounts due from customers (reduced for expected credit losses) or due to suppliers.

Bank term deposits, accounts receivable, accounts payable and bank loans are carried at nominal value which approximates fair value.

The fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets of the respective corporations.

(ii) Off Statement of Financial Position financial instruments

The reporting entity and its controlled entities do not possess or trade any off Statement of Financial Position financial instruments.

31. Fair Value Measurements

(a) Fair value measurements

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

Due to the short-term nature of the current receivables, their carrying value approximates their fair value and based on credit history it is expected that the receivables that are neither past due nor impaired will be received when due.

The carrying amounts and aggregate fair values of financial assets and liabilities at the end of the reporting period are:

		Carrying Amount		Fair Value	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
Financial assets					
Cash and cash equivalents	6	42,146	53,936	42,146	53,936
Receivables	7	28,924	36,820	28,924	36,820
Derivative financial instruments	9	-	2	-	2
Investments using the equity method	13	2,002	2,121	2,002	2,121
Other financial assets	8	301,184	333,144	301,184	333,144
Total financial assets		374,256	426,023	374,256	426,023
Financial liabilities					
Payables	17	93,116	85,992	93,116	85,992
Borrowings	18	67,510	51,510	67,510	51,510
Derivative Financial Instruments	9	13,856	15,706	13,856	15,706
Total financial liabilities		174,482	153,208	174,482	153,208

The Consolidated Entity measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets at fair value through profit or loss
- Investments using the equity method
- Derivative financial instruments
- Other financial assets
- Land and buildings
- Library collection
- Works of art
- Borrowings

The Consolidated Entity has also measured assets and liabilities at fair value on a non-recurring basis as a result of the reclassification of assets as held for sale.

(b) Fair value hierarchy

The Consolidated Entity categorises assets and liabilities measured at fair value into a hierarchy based on the level of inputs used in measurement.

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices within level 1 that are observable for the asset or liability either directly or indirectly

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

31. Fair Value Measurements - continued

(i) Recognised fair value measurements

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 31 December 2016.

Fair Value measurements at 31 December 2016				
Note	2016 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Financial assets				
Financial assets at fair value through profit or loss	8	291,061	270,631	-
Investments using the equity method	13	2,002	-	-
Derivative financial instruments	9	-	-	-
Other financial assets	8	10,123	10,000	123
Total recurring financial assets		303,186	280,631	123
Non-financial assets				
Library collection	15	17,089	-	-
Other land and buildings	15	127,062	-	-
Trust land and buildings	15	953,099	-	-
Works of art	15	7,799	-	-
Total recurring non-financial assets		1,105,049	-	134,861
Non-recurring fair value measurements				
Non-financial assets				
Non-current assets held for sale	12	-	-	-
Total non-recurring non-financial assets		-	-	-
Financial liabilities				
Borrowings	18	67,510	-	-
Derivative financial instruments	9	13,856	-	-
Total liabilities		81,366	-	81,366

Fair Value measurements at 31 December 2015

Recurring fair value measurements

Note	2015 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Financial assets				
Financial assets at fair value through profit or loss	8	272,665	255,573	-
Investments using the equity method	13	2,121	-	-
Derivative financial instruments	9	2	-	-
Other financial assets	8	60,479	60,265	214
Total financial assets		335,267	315,838	216

Non-financial assets

Library collection	15	18,141	-	-
Other land and buildings	15	118,272	-	-
Trust land and buildings	15	912,248	-	-
Works of art	15	7,801	-	-
Total non-financial assets		1,056,462	-	126,073

Non-recurring fair value measurements

Non-financial assets

Non-current assets held for sale	12	22,600	-	-
Total non-recurring non-financial assets		22,600	-	22,600

Financial liabilities

Borrowings	18	51,510	-	-
Derivatives financial instruments	9	15,706	-	-
Total financial liabilities		67,216	-	67,216

31. Fair Value Measurements - continued

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

For transfers in and out of level 3 measurements see (d) below.

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

(ii) Disclosed fair values

The fair value of assets or liabilities traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices for identical assets or liabilities at the end of the reporting period (level 1). This is the most representative of fair value in the circumstances.

The fair values of held-to-maturity investments that are disclosed in note 8 were determined by reference to published price quotations in an active market (level 1).

The carrying value less impairment provision of trade receivables is a reasonable approximation of the fair value due to the short-term nature of trade receivables.

The fair value of non-current borrowings disclosed in note 18 is estimated by discounting the future contractual cash flows at the current market interest rates that are available to the group for similar financial instruments. For the period ending 31 December 2016, the borrowing rates were determined to be between 3% and 4%, depending on the type of borrowing. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant (level 2).

(c) Valuation techniques used to derive level 2 and level 3 fair values

(i) Recurring fair value measurements

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

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

The Consolidated Entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of the reporting period.

Specific valuation techniques used to value financial instruments include:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities and investments using the equity method explained in (d) below.

(ii) Non-recurring fair value measurements

Non-current assets classified as held for sale during the reporting period were measured at the lower of their carrying amount and fair value less costs to sell at the time of reclassification. The fair value of the land and buildings was determined using the sales comparison approach.

31. Fair Value Measurements - continued

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

The following table is a reconciliation of level 3 items for the period ended 31 December 2016 and 2015:

Level 3 Fair Value Measurements 2016

	Trust Land and Buildings	Investments Using the Equity Method	Unlisted Equity Securities	Library Collection	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	912,248	2,121	17,092	18,141	949,602
Acquisitions	18,032	-	-	628	18,660
Disposals	-	-	-	(1,023)	(1,023)
Recognised in Net operating result	(21,785)	-	3,338	(2,194)	(20,641)
Recognised in other comprehensive income	44,604	(119)	-	1,537	46,022
Closing balance	953,099	2,002	20,430	17,089	992,620

Level 3 Fair Value Measurements 2015

	Trust Land and Buildings	Investments Using the Equity Method	Unlisted Equity Securities	Library Collection	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	906,576	1,988	9,132	19,880	937,576
Acquisitions	27,512	481	-	876	28,869
Disposals	-	-	-	(436)	(436)
Recognised in Net operating result	(21,840)	-	7,960	(2,179)	(16,059)
Recognised in other comprehensive income	-	(348)	-	-	(348)
Closing balance	912,248	2,121	17,092	18,141	949,602

(i) Transfers between levels 2 and 3 and changes in valuation techniques

There were no transfers between levels 2 and 3 during the year. There were no changes in valuation techniques during the year.

31. Fair Value Measurements - continued

(ii) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See (c) above for the valuation techniques adopted.

Description	Fair value at 31 Dec 2016 \$'000	Un- observable inputs	Range of inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Investments using the equity method	2,002	Earnings growth factor	2.0% - 3.0% (2.5%)	Increased earnings growth factor of 1% would increase fair value by \$20,000; lower growth factor of 1% would decrease fair value by \$20,000.
Unlisted Equity Securities	20,430	Earnings growth factor	2.0% - 3.0% (2.5%)	Increased earnings growth factor of 1% would increase fair value by \$204,000; lower growth factor of 1% would decrease fair value by \$204,000.
Library Collection	17,089	Price of bound books	3.0% - 4.0% (3.5%)	The higher the price of bound books, the higher the fair value, with a 1% increase increasing the library collection value by \$170,000. A decrease of 1% will decrease the fair value by \$170,000.

(iii) Valuation processes

The Finance and Procurement Branch of the Consolidated Entity includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO).

The Consolidated Entity engages external, independent and qualified valuers to determine the fair value of the other land and buildings at least every three years. As at 31 December 2016, the fair values of the land and buildings were determined by AssetVal Pty Ltd.

Trust buildings have been valued using the depreciated replacement cost (DRC) method, where DRC is defined as the current replacement cost of an asset less accumulated depreciation calculated on the basis of the already consumed or expired service potential / estimated remaining useful life of the asset.

Land and other buildings have been valued using the direct comparison approach, which determines the current value of an asset by reference to recent comparable transactions involving the sale of similar assets.

Adjustments are subsequently made for specific attributes including, but not limited to, size, topography, zoning and restrictions of use for Trust land to determine the value of the subject property.

32. Investments in Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in Note 3(b).

Controlled Entity	Holding		Investment at Fair Value		Investment at Cost		Contribution to Operating Result	
	2016	2015	2016	2015	2016	2015	2016	2015
	%	%	\$000	\$000	\$000	\$000	\$000	\$000
The Adelaide Research & Innovation Investment Trust	100	100	514	316	-	-	514	161
ACN 008 123 466 Pty Ltd	100	-	73	-	50	-	(46)	-
Adelaide Unicare Pty Ltd	100	100	11,922	9,745	-	-	775	(370)
Martindale Holdings Pty Ltd as trustee for:								
· JS Davies Estate	83	83	-	-	-	-	(1)	(1)
· JAT Mortlock Trust	-	100	-	-	-	-	-	93
· Roseworthy Farm	100	100	1,807	1,694	-	-	323	295
National Wine Centre Pty Ltd	100	100	766	1,136	-	-	(333)	36
Roseworthy Piggery Pty Ltd	100	100	317	125	100	100	192	(153)
The Women's and Children's Health Research Institute	100	100	7,503	9,350	-	-	202	(200)
			22,902	22,366	150	100	1,626	(139)

All of the above controlled entities are incorporated in Australia.

Controlled Entity	Principal Activities
The Adelaide Research & Innovation Investment Trust	The University commercial arm that connects the community with a network of University of Adelaide researchers for purpose of research, development and innovation. The connection extends to commercialisation of the research developed.
ACN 008 123 466 Pty Ltd	Non-operating entity previously Repromed Pty Ltd. Shares transferred to the University during 2016 from The Adelaide Research & Innovation Investment Trust.
Adelaide Unicare Pty Ltd	Manages the activities and operations of medical practices to provide placements for the teaching of medical students from the University of Adelaide. The practices provide quality general medical care to students, staff and the public.
Martindale Holdings Pty Ltd as trustee for:	Trustee Company for the following:
· JS Davies Estate	Established to operate farming properties that were bequeathed to the University of Adelaide and Prince Alfred College. This venture is no longer operating.
· JAT Mortlock Trust	Established to operate farming properties that were bequeathed to the University of Adelaide. This Trust vested on 8 July 2016.
· Roseworthy Farm	Manages the broadacre farm operations at the University Roseworthy Campus.
National Wine Centre Pty Ltd	Operates the National Wine Centre complex undertaking banquets, events, conference space & wine tourism, and other catering operations as directed by the University of Adelaide.
Roseworthy Piggery Pty Ltd	Established to manage the piggery located on the Roseworthy Campus. The Piggery provides a source of pigs for research and supports the Veterinary School teaching.
The Women's and Children's Health Research Institute	Medical research institute investing in research towards improving the health of women and children, focussed on maternal and child nutrition, diseases of the blood and immune system and the development and repair of the digestive system, skull and skin.

33. Investments in Associates

(a) Equity and Contribution to Operating Result

Associate	Principal Activity	Holding		Consolidated Carrying Amount		Investment at Cost	
		2016	2015	2016	2015	2016	2015
		%	%	\$000	\$000	\$000	\$000
Held by the University							
Australian Centre for Plant Functional Genomics Pty Ltd	Responsible for the development of world-class capability in plant genomic research and its application for economic and social benefit to Australia.	45	45	231	452	-	-
SNAP Network Surveillance Pty Ltd	Production of software to simplify operation of large-scale video surveillance.	32	32	-	-	-	-
				231	452	-	-

The University has a 25% interest in an incorporated associate, SABRENet Ltd, which has been established to further the use of advanced data networking, for the conduct of research and education in South Australia. SABRENet Ltd is not accounted for using the equity method as the University does not have access to the residual assets of the entity.

The Australian Centre for Plant Functional Genomics Pty Ltd has a 31 December reporting period. SNAP Network Surveillance Pty Ltd has a 30 June reporting period.

	Consolidated		University	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
(b) Movements in Carrying Amounts of Investments in Associates				
At beginning of financial year	452	393	-	-
Share of operating result	(221)	59	-	-
	231	452	-	-
(c) Results Attributed to Associates				
Operating result	(221)	59	-	-
Retained surplus attributable to associates at the beginning of the financial year	452	393	-	-
Retained surplus attributable to associates at the end of the financial year	231	452	-	-

(d) Accounting for Associates

(i) Capital and other expenditure commitments

There are no material capital and other expenditure commitments relating to associates.

(ii) Contingent liabilities

There are no material contingent liabilities relating to associates.

(iii) Post balance date events

There are no material post balance date events to report for associates.

(iv) Assets, liabilities, revenue and expenditure

Since the above activities do not materially affect the Consolidated Entity figures, assets, liabilities, revenue and expenditure have been reported as net amounts.

(v) Off Statement of Financial Position financial instruments

Neither the Consolidated Entity, nor any of its associates, have any off Statement of Financial Position financial instruments.

34. Interests in Cooperative Research Centres (CRCs)

A CRC is a research initiative of the Australian Government established to pursue specific areas of research. One of the desired outcomes of a CRC is the creation of specific intellectual property with commercial value. The participants in CRCs are an amalgam of research institutions, eg CSIRO, government agencies, universities and private enterprise. The funding of the CRC is co-ordinated through either a Company formed by the core participants or by a Centre Agent who is appointed generally from one of the participating entities.

Funding transfers between the CRC and the University are accounted for as general revenue and expenditure.

			Participation
Energy Pipelines CRC	(I)	-	14%
Deep Exploration Technologies CRC	(I)	(C)	10%
CRC for High Integrity Australian Pork	(I)	-	11%
Plant Biosecurity CRC	(I)	(C)	1%
Invasive Animals CRC	(U)	(C)	1%
Bushfire and Natural Hazards CRC	(I)	-	6%
Data to Decisions CRC	(I)	-	11%
CRC Optimising Resource Extraction	(I)	(C)	3%

(I) Incorporated

(U) Unincorporated

(C) CSIRO is a partner

The University was a supporting participant for the Poultry CRC, the Innovative Manufacturing CRC, the CRC for Water Sensitive Cities and CRC for Sheep Industry Innovation. The CRC for Greenhouse Gas Technologies ceased trading during 2015.

The University over the next five years will make both cash and in-kind contributions to support the work of the CRCs. The University has committed to participate in the work of these CRCs, with contributions in constant dollars, \$1.4 million in cash (2015: \$1.3 million) and \$15.4 million in-kind (2015: \$14.2 million).

35. Interests in Joint Ventures

(a) Joint Ventures Accounted for Using the Equity Method

Name	Principal Activity	Participation
Ngee Ann Adelaide Education Centre Pte Ltd	Operates a graduate education centre in Singapore	(I) 50%
Middleback Field Centre	To provide pastoral-zone courses and range land ecology research programmes.	(U) 33%
Professional Certificate in Arbitration	To develop and deliver tertiary courses in arbitration.	(U) 50%
South Australian Tertiary Admissions Centre	Established as the agent for tertiary institutions in Adelaide for the purpose of receiving and processing applications from intending students.	(U) 25%
Adelaide Proteomics Centre (APC)	Provision of cost effective and high quality proteomic analysis to researchers conducting basic and applied research.	(U) 50%
Mining Education Australia	Provision of a collaborative national mining education program for the benefit of mining engineering students.	(U) 25%

(I) Incorporated

(U) Unincorporated

All joint ventures have a 31 December reporting period.

Agreement has been reached between the joint venture partners of Ngee Ann Adelaide Education Centre during 2016 to reduce the joint venture operations during 2017.

35. Interests in Joint Ventures - continued

Ngee Ann Education Centre Pte Ltd is incorporated in Singapore. All other incorporated joint ventures are incorporated in Australia.

The Consolidated Entity's reported interest in the assets employed in the joint ventures totals \$1.8 million (2015: \$1.7 million). These are included in the Consolidated Statement of Financial Position, in accordance with the accounting policy described in note 3(n).

(b) Equity and Contribution to Operating Result

Joint Venture	Holding		Carrying Amount		Investment at Cost	
	2016 %	2015 %	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Held by the University						
Ngee Ann Adelaide Education Centre Pte Ltd	50%	50%	732	635	937	937
Middleback Field Centre	33%	33%	8	8	-	-
Professional Certificate in Arbitration	50%	50%	73	24	35	35
South Australian Tertiary Admissions Centre	25%	25%	689	716	-	-
Adelaide Proteomics Centre (APC)	50%	50%	23	40	-	-
Mining Education Australia	25%	25%	246	246	-	-
			1,771	1,669	972	972

Consolidated		University	
2016	2015	2016	2015
\$000	\$000	\$000	\$000

(c) Movements in Carrying Amounts of Joint Ventures

At beginning of financial year	1,669	1,595	-	-
Share of operating result	102	(407)	-	-
Additional investment in joint ventures	-	481	-	-
	1,771	1,669	-	-

(d) Results Attributed to Joint Ventures

Operating result	102	(407)	-	-
Additional investment in joint ventures	-	481	-	-
Retained surplus attributable at the beginning of the financial year	1,669	1,595	-	-
Retained surplus attributable at the end of the financial year	1,771	1,669	-	-

(e) Accounting for Joint Ventures

(i) Capital and other expenditure commitments

There are no material capital and other expenditure commitments relating to joint ventures.

(ii) Contingent liabilities

There are no known material contingent liabilities relating to joint ventures.

(iii) Post balance date events

There are no material post balance date events to report for joint ventures.

(iv) Assets, liabilities, revenue and expenditure

Since the above activities do not materially affect the University group figures, assets, liabilities, revenue and expenditure have been reported as net amounts.

(v) Off Statement of Financial Position financial instruments

Neither the reporting entity, nor any of its joint ventures, have any off Statement of Financial Position financial instruments.

36. Related Parties

(a) Parent entity

The ultimate parent entity within the group is the University of Adelaide.

(b) Controlled entities, joint arrangements and associates

Investments in controlled entities are detailed in Note 32, investments in associates are detailed in Note 33 and interests in joint arrangements are detailed in Note 35.

(c) Council members and senior management

Disclosures relating to the University Council Members and Senior Management are detailed in Note 29.

(d) Councillor related transactions

Certain Councillors are members of incorporated and unincorporated associations that are an integral part of the University. Transactions between these bodies, the University and Council members, in respect of services provided to Council members, are trivial in nature.

Certain Council members hold positions and interests in entities that provide goods and services to the University and its subsidiaries. The provision of these goods and services is on normal trading terms.

(e) Students at The University of Adelaide

From time to time, Council members will have members of their immediate family who are students at the University. Unless specifically stated within the financial statements, such students are subject to the same fee structure and scholarships as any other students. This also applies to members of Council who are enrolled as students.

The following information being Note 37 to Note 42 has been prepared in accordance with the Department of Education reporting guidelines.

37. Income Statement for the Year Ended 31 December 2016

		Consolidated		University	
	Note	2016 \$000	2015 \$000	2016 \$000	2015 \$000
REVENUE FROM CONTINUING OPERATIONS					
Australian Government financial assistance	38(f)	505,776	500,406	505,776	500,406
State and Local Government financial assistance	40	24,574	24,292	24,096	23,815
HECS-HELP - Student Payments	4	12,587	13,001	12,587	13,001
Fees and charges	41	226,582	208,553	226,450	207,961
Investment income		24,958	24,121	24,269	24,979
Royalties, trademarks and licenses	4	3,874	4,669	1,290	2,256
Consultancy and contracts	42	83,547	95,476	58,983	61,246
Reversal of impairment of other buildings	4	4,843	1,033	3,632	1,033
Net gain on disposal of assets	4	1,295	7,247	1,336	7,270
Other revenue		59,246	57,799	36,105	32,080
Total revenue from continuing operations		947,282	936,597	894,524	874,047
EXPENSES FROM CONTINUING OPERATIONS					
Salaries and related expenses	5	497,611	486,767	486,152	470,708
Depreciation and amortisation	5	49,825	49,214	49,294	48,529
Buildings and grounds	5	62,802	63,789	61,930	62,563
Bad and doubtful debts	5	615	162	615	162
Finance costs	5	5,896	5,168	5,224	5,273
Scholarships, grants and prizes		41,152	42,952	41,152	42,952
Non-capitalised equipment	5	9,736	10,697	9,736	10,697
Advertising, marketing and promotional expenses		5,128	4,736	4,890	4,449
Impairment loss on non-current assets held for sale	5	-	79	-	79
Other expenses		213,609	221,419	175,294	174,281
Total expenses from continuing operations		886,374	884,983	834,287	819,693
Net operating result for the year		60,908	51,614	60,237	54,354

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
38. Australian Government Financial Assistance					
(a) Education - Commonwealth Grants Scheme and Other Education Grants					
Commonwealth Grants Scheme		175,544	166,431	175,544	166,431
Teaching Hospitals Grant		1,165	1,099	1,165	1,099
Indigenous Support Program		647	585	647	585
Higher Education Participation Program		3,227	6,231	3,227	6,231
Disability Support Program		39	37	39	37
Promotion of Excellence in Learning & Teaching Program		589	40	589	40
		181,211	174,423	181,211	174,423
(b) Higher Education Loan Programmes					
HECS-HELP		103,801	101,724	103,801	101,724
FEE-HELP		11,700	10,556	11,700	10,556
SA-HELP		3,217	3,155	3,217	3,155
		118,718	115,435	118,718	115,435
(c) Learning Scholarships					
Australian Postgraduate Awards		12,260	12,175	12,260	12,175
International Postgraduate Research Scholarships		974	974	974	974
Commonwealth Education Costs Scholarships		237	131	237	131
Commonwealth Accommodation Scholarships		218	74	218	74
Indigenous Access Scholarships		162	96	162	96
		13,851	13,450	13,851	13,450
(d) Education Research					
Joint Research Engagement Program		16,299	15,967	16,299	15,967
JRE Engineering Cadetships		266	252	266	252
Research Training Scheme		32,354	32,000	32,354	32,000
Research Infrastructure Block Grants		13,497	14,179	13,497	14,179
Sustainable Research Excellence in Universities		11,647	10,062	11,647	10,062
		74,063	72,460	74,063	72,460
(e) Australian Research Council					
(i) Discovery					
Projects		9,304	11,337	9,304	11,337
Fellowships		10,443	10,919	10,443	10,919
Indigenous Researchers Development		233	-	233	-
		19,980	22,256	19,980	22,256
(ii) Linkages					
Infrastructure		1,290	1,340	1,290	1,340
Projects		3,357	4,204	3,357	4,204
Industrial Transformation Research Program		2,236	2,325	2,236	2,325
		6,883	7,869	6,883	7,869
(iii) Networks and Centres					
Centres		6,717	6,605	6,717	6,605
		6,717	6,605	6,717	6,605
Total ARC		33,580	36,730	33,580	36,730

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
38. Australian Government Financial Assistance - continued					
(f) Other Australian Government financial assistance received:					
Non-Capital					
Attorney General's Department		715	925	715	925
Australian Centre for International Agricultural Research		4,124	3,398	4,124	3,398
Australian Institute of Health and Welfare		-	464	-	464
Australian Renewable Energy Agency		1,425	1,364	1,425	1,364
CSIRO		773	1,213	773	1,213
Defence, Science and Technology Organisation		5,154	3,687	5,154	3,687
Department of Agriculture		3,858	4,829	3,858	4,829
Department of Defence		472	424	472	424
Department of Education		10,426	8,741	10,426	8,741
Department of the Environment and Energy		566	1,046	566	1,046
Department of Foreign Affairs and Trade		614	1,488	614	1,488
Department of Health		10,932	12,576	10,932	12,576
Department of the Prime Minister and Cabinet		280	-	280	-
Department of Industry, Innovation and Science		582	717	582	717
Department of Veterans' Affairs		509	1,036	509	1,036
Grains Research & Development Corporation		11,804	13,454	11,804	13,454
National Health & Medical Research Council		31,729	32,056	31,729	32,056
Other		390	490	390	490
		84,353	87,908	84,353	87,908
Reconciliation					
Australian Government grants		387,058	384,971	387,058	384,971
Higher Education Loan Programmes		118,718	115,435	118,718	115,435
		505,776	500,406	505,776	500,406
(g) Australian Government grants received - cash basis					
CGS and Other Education Grants		182,259	173,562	182,259	173,562
Higher Education Loan Programmes		119,533	115,871	119,533	115,871
Scholarships		13,851	13,450	13,851	13,450
Education Research		74,063	72,460	74,063	72,460
ARC Grants - Discovery		19,980	22,256	19,980	22,256
ARC Grants - Linkages		6,883	7,869	6,883	7,869
ARC Grants - Networks and Centres		6,717	6,605	6,717	6,605
Other Australian Government Grants		81,115	89,053	81,115	88,120
		504,401	501,126	504,401	500,193
OS-Help (Net)	39(f)	470	1,015	470	1,015
Higher Education Superannuation	39(f)	3,992	4,029	3,992	4,029
		508,863	506,170	508,863	505,237

39. Acquittal of Australian Government Financial Assistance

(a) Education - Commonwealth Grants Scheme and Other Education Grants

Parent Entity (University) Only

	Notes	Commonwealth Grants Scheme		Teaching Hospitals Grant		Indigenous Support Program		Higher Education Participation Program		Disability Support Program	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial assistance received in cash during the reporting period	38(a)	176,592	165,570	1,165	1,099	-	585	3,227	6,231	39	37
Net accrual adjustments		(1,048)	861	-	-	-	-	-	-	-	-
Revenue for the period		175,544	166,431	1,165	1,099	647	585	3,227	6,231	39	37
Surplus/(Deficit) from the previous year		-	-	-	-	-	-	1,710	317	49	43
Total revenue including accrued revenue		175,544	166,431	1,165	1,099	647	585	4,937	6,548	88	80
Less expenses including accrued expenses		175,544	166,431	1,165	1,099	647	585	3,119	4,838	88	31
Surplus/(Deficit) for the reporting period		-	-	-	-	-	-	1,818	1,710	-	49

39. Acquittal of Australian Government Financial Assistance - continued

(a) Education - Commonwealth Grants Scheme and Other Education Grants Parent Entity (University) Only

	Notes	Promotion of Excellence in Learning & Teaching Program		Reward Funding Program		Total	
		2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Financial assistance received in cash during the reporting period		589	40	-	-	182,259	173,562
Net accrual adjustments		-	-	-	-	(1,048)	861
Revenue for the period	38(a)	589	40	-	-	181,211	174,423
Surplus/(Deficit) from the previous year		173	457	463	463	2,395	1,280
Total revenue including accrued revenue		762	497	463	463	183,606	175,703
Less expenses including accrued expenses		160	324	-	-	180,723	173,308
Surplus/(Deficit) for the reporting period		602	173	463	463	2,883	2,395

39. Acquittal of Australian Government Financial Assistance - continued

(b) Higher Education Loan Programmes Parent Entity (University) Only

	Notes	HECS-HELP		FEE-HELP		SA-HELP		Total	
		2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Cash Payable/(Receivable) at beginning of year		1,097	111	(14)	(130)	(545)	121	538	102
Financial assistance received in cash during the reporting period		104,118	102,710	11,656	10,672	3,759	2,489	119,533	115,871
Cash available for period		105,215	102,821	11,642	10,542	3,214	2,610	120,071	115,973
Revenue earned	38(b)	103,801	101,724	11,700	10,556	3,217	3,155	118,718	115,435
Cash Payable/(Receivable) at end of year		1,414	1,097	(58)	(14)	(3)	(545)	1,353	538

39. Acquittal of Australian Government Financial Assistance - continued

(c) Learning Scholarships

Parent Entity (University) Only

	Notes	Australian Postgraduate Awards		International Postgraduate Research Scholarships		Commonwealth Education Cost Scholarships		Commonwealth Accommodation Scholarships		Indigenous Access Scholarships		Total	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial assistance received in cash during the reporting period	38(c)	12,260	12,175	974	974	237	131	218	74	162	96	13,851	13,450
Net accrual adjustments		-	-	-	-	-	-	-	-	-	-	-	-
Revenue for the period		12,260	12,175	974	974	237	131	218	74	162	96	13,851	13,450
Surplus/(Deficit) from the previous year		390	162	-	-	(119)	(119)	280	280	270	270	821	593
Total revenue including accrued revenue		12,650	12,337	974	974	118	12	498	354	432	366	14,672	14,043
Less expenses including accrued expenses		11,783	11,947	974	974	227	131	213	74	162	96	13,359	13,222
Surplus/(Deficit) for the reporting period		867	390	-	-	(109)	(119)	285	280	270	270	1,313	821

39. Acquittal of Australian Government Financial Assistance - continued

(d) Education Research

Parent Entity (University) Only

	Notes	Joint Research Engagement		JRE Engineering Cadetships		Research Training Scheme		Research Infrastructure Block Grants	
		2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Financial assistance received in cash during the reporting period	38(d)	16,299	15,967	266	252	32,354	32,000	13,497	14,179
Net accrual adjustments		-	-	-	-	-	-	-	-
Revenue for the period		16,299	15,967	266	252	32,354	32,000	13,497	14,179
Surplus/(Deficit) from the previous year		-	-	349	165	-	-	-	-
Total revenue including accrued revenue		16,299	15,967	615	417	32,354	32,000	13,497	14,179
Less expenses including accrued expenses		16,299	15,967	19	68	32,354	32,000	13,497	14,179
Surplus/(Deficit) for the reporting period		-	-	596	349	-	-	-	-

39. Acquittal of Australian Government Financial Assistance - continued

(d) Education Research

Parent Entity (University) Only

	Notes	Sustainable Research Excellence		Commercialisation Training Scheme		Total	
		2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Financial assistance received in cash during the reporting period		11,647	10,062	-	-	74,063	72,460
Net accrual adjustments		-	-	-	-	-	-
Revenue for the period	38(d)	11,647	10,062	-	-	74,063	72,460
Surplus/(Deficit) from the previous year		-	-	-	-	349	165
Total revenue including accrued revenue		11,647	10,062	-	-	74,412	72,625
Less expenses including accrued expenses		11,647	10,062	-	-	73,816	72,276
Surplus/(Deficit) for the reporting period		-	-	-	-	596	349

39. Acquittal of Australian Government Financial Assistance - continued

(e) Australian Research Council Grants - Discovery

Parent Entity (University) Only

	Notes	Projects				Fellowships				Indigenous Researchers Development				Total	
		2016		2015		2016		2015		2016		2015		2016	
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial assistance received in cash during the reporting period		9,304	11,337			10,443	10,919			233				19,980	22,256
Net accrual adjustments		-	-			-	-			-				-	-
Revenue for the period	38(e)	9,304	11,337			10,443	10,919			233				19,980	22,256
Surplus/(Deficit) from the previous year		8,296	9,245			8,460	9,384			-				16,756	18,648
Total revenue including accrued revenue		17,600	20,582			18,903	20,303			233				36,736	40,904
Less expenses including accrued expenses		9,572	12,286			10,404	11,843			138				20,114	24,148
Surplus/(Deficit) for the reporting period		8,028	8,296			8,499	8,460			95				16,622	16,756

39. Acquittal of Australian Government Financial Assistance - continued

(e) Australian Research Council Grants - Linkages

Parent Entity (University) Only

	Notes	Infrastructure				Projects				Industrial Transformation Research Program				Total	
		2016		2015		2016		2015		2016		2015		2016	
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial assistance received in cash during the reporting period		1,290		1,340			3,357		4,204	2,236		2,325		6,883	7,869
Net accrual adjustments		-		-		-	-		-	-		-		-	-
Revenue for the period	38(e)	1,290		1,340		3,357		4,204		2,236		2,325		6,883	7,869
Surplus/(Deficit) from the previous year		358		1,394		3,011		2,902		3,539		3,351		6,908	7,647
Total revenue including accrued revenue		1,648		2,734		6,368		7,106		5,775		5,676		13,791	15,516
Less expenses including accrued expenses		1,220		2,376		3,524		4,095		2,232		2,137		6,976	8,608
Surplus/(Deficit) for the reporting period		428		358		2,844		3,011		3,543		3,539		6,815	6,908

39. Acquittal of Australian Government Financial Assistance - continued

(e) Australian Research Council Grants - Networks and Centres Parent Entity (University) Only

	Notes	Centres		Total	
		2016 \$000	2015 \$000	2016 \$000	2015 \$000
Financial assistance received in cash during the reporting period		6,717	6,605	6,717	6,605
Net accrual adjustments		-	-	-	-
Revenue for the period	38(e)	6,717	6,605	6,717	6,605
Surplus/(Deficit) from the previous year		1,559	2,117	1,559	2,117
Total revenue including accrued revenue		8,276	8,722	8,276	8,722
Less expenses including accrued expenses		7,062	7,163	7,062	7,163
Surplus/(Deficit) for the reporting period		1,214	1,559	1,214	1,559

39. Acquittal of Australian Government Financial Assistance - continued

(f) Other Australian Government Financial Assistance

Parent Entity (University) Only

OS HELP			
	Notes	2016 \$000	2015 \$000
Cash received during the reporting period		6,597	6,734
Cash spent during the reporting period		6,127	5,719
Net Cash received	38(g)	470	1,015
Surplus/(Deficit) from the previous year		1,305	290
Surplus/(Deficit) for the reporting period		1,775	1,305

Higher Education Superannuation			
	Notes	2016 \$000	2015 \$000
Cash received during the reporting period		3,992	4,029
University contribution in respect of current employees		-	-
Cash available	38(g)	3,992	4,029
Surplus/(Deficit) from the previous year		351	248
Cash available for current period		4,343	4,277
Contributions to specified defined benefit funds		3,719	3,926
Surplus/(Deficit) for the reporting period		624	351

Student Services and Amenities Fee			
	Notes	2016 \$000	2015 \$000
Unspent/(overspent) revenue from previous period		3,791	2,271
SA-HELP Revenue earned	38(b)	3,217	3,155
Student Services Fees direct from Students	41	3,059	2,848
Total revenue expendable in period		10,067	8,274
Student Services expenses during period		5,083	4,483
Unspent/(overspent) Student Services Revenue		4,984	3,791

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
40. State and Local Government Financial Assistance					
(a) South Australian Government and Local Government financial assistance					
Central Adelaide Local Health Network		7,573	7,664	7,573	7,664
Department of Treasury and Finance		266	11	266	11
Department of Health and Ageing		3,610	3,698	3,610	3,698
Department for Environment, Water and Natural Resources		1,770	1,642	1,770	1,642
Department for Planning, Transport and Infrastructure		778	762	778	762
Department of Primary Industries and Regions		1,393	1,862	1,393	1,862
Department of State Development		3,424	4,693	3,424	4,693
Department of the Premier and Cabinet		988	175	988	175
Forensic Science SA		242	164	242	164
Motor Accident Commission		746	705	746	705
Northern Adelaide Local Health Network		1,065	699	1,065	699
SafeWork SA		238	310	238	310
Southern Adelaide Local Health Network		-	442	-	-
Southern Yorke Peninsula Health Service		478	-	-	-
Other		607	728	607	693
Total South Australian Government and Local Government financial assistance		23,178	23,555	22,700	23,078
(b) Other State Government and Local Government financial assistance					
		1,396	737	1,396	737
Total State and Local Government financial assistance		24,574	24,292	24,096	23,815

		Note	Consolidated		University	
			2016	2015	2016	2015
			\$000	\$000	\$000	\$000
41. Fees and Charges						
Course fees and charges						
Student fee income	4		198,448	180,655	198,448	180,655
Non-course fees and charges						
Student services and amenities fees	4		3,059	2,848	3,059	2,848
Library charges and fines	4		293	422	293	422
Application management and late fees	4		1,813	1,352	1,813	1,352
Parking fees	4		2,175	1,908	2,175	1,908
Rental charges/accommodation fees	4		11,641	11,966	11,509	11,599
Recharge of costs to other organisations	4		319	740	319	515
Franchise fees	4		2,945	2,258	2,945	2,258
Other			5,889	6,404	5,889	6,404
			226,582	208,553	226,450	207,961
42. Consultancy and Contract Revenue						
Consultancy	4		9,692	10,980	7,283	7,529
Contract research			73,855	84,496	51,700	53,717
			83,547	95,476	58,983	61,246

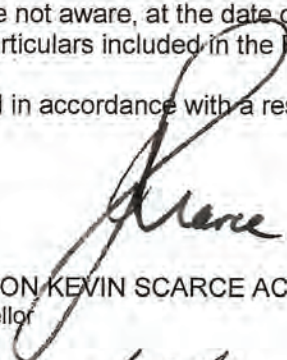
**Statement by the Chancellor, Vice-Chancellor & President
and Chief Financial Officer**

In our opinion:

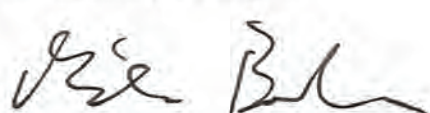
- (a) the Financial Statements of The University of Adelaide have been prepared in accordance with the accounts and records of the University and present a true and fair view of the financial position of the University of Adelaide as at 31 December 2016 and the results of its operations and cash flows for the year ended 31 December 2016;
- (b) in all material respects, the Financial Statements have been prepared in accordance with Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, the Higher Education Funding Act 1988, the Higher Education Support Act 2003, Australian equivalents to International Financial Reporting Standards and other mandatory professional reporting requirements including Urgent Issues Group Consensus Views;
- (c) at the date of signing this Statement there are reasonable grounds to believe that The University of Adelaide will be able to pay its debts as and when they fall due;
- (d) the amount of Australian Government financial assistance expended during the reporting period was for the purpose for which it was intended;
- (e) The University of Adelaide has complied with applicable legislation, contracts, agreements and programme guidelines in making expenditure of the Australian Government financial assistance;
- (f) internal controls over financial reporting have been effective throughout the reporting period; and
- (g) The University of Adelaide has charged Student Services and Amenities Fees strictly in accordance with the Higher Education Support Act 2003 and the Administration Guidelines made under the Act. Revenue from the fees were spent strictly in accordance with the Act and only on services and amenities specified in subsection 19-38(4) of the Act.

We are not aware, at the date of signing this Statement, of any circumstances which would render any particulars included in the Financial Statements to be misleading or inaccurate.

Signed in accordance with a resolution of the Council of The University of Adelaide.



THE HON KEVIN SCARCE AC CSC RAN (Rtd)
Chancellor



PROFESSOR MICHAEL BROOKS
Acting Vice-Chancellor and President



MR ANTHONY MITCHELL Chief
Financial Officer

27th March 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia

Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chancellor University of Adelaide

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 25(2) of the *University of Adelaide Act 1971*, I have audited the financial report of the University of Adelaide and the consolidated entity comprising the University of Adelaide and its controlled entities for the financial year ended 31 December 2016.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the University of Adelaide and its controlled entities as at 30 June 2017, their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, the *Higher Education Support Act 2003* and Australian Accounting Standards.

The consolidated financial report comprises:

- a Statement of Comprehensive Income for the year ended 31 December 2016
- a Statement of Financial Position as at 31 December 2016
- a Statement of Changes in Equity for the year ended 31 December 2016
- a Statement of Cash Flows for the year ended 31 December 2016
- notes, comprising significant accounting policies and other explanatory information.

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 University of Adelaide and its controlled entities. 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 Vice-Chancellor and the Council for the financial report

The Vice-Chancellor 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*, the *Higher Education Support Act 2003* and the Australian Accounting Standards, and for such internal control as management determine 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 Council is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial report

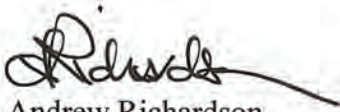
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an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

I communicate with those charged with governance and the Vice-Chancellor 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

31 March 2017

University of South Australia

Financial report
for the year ended
31 December 2016



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 December 2016

	Notes	Consolidated		University	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue from continuing operations					
Australian Government financial assistance					
Australian Government grants	2	265,501	260,362	265,501	260,362
HECS-HELP - Australian Government Payments	2	118,235	115,199	118,235	115,199
FEE-HELP	2	9,138	8,708	9,138	8,708
SA-HELP	2	2,979	2,882	2,979	2,882
State and Local Government financial assistance	3	7,807	13,753	7,441	13,577
HECS-HELP - Student Payments		10,617	11,650	10,617	11,650
Fees and charges	4	132,919	120,083	132,919	120,083
Investment revenue	5	11,016	13,466	10,893	13,661
Royalties		498	208	90	146
Consultancy and contract research	6	34,958	35,126	34,913	35,392
Other income	7	16,060	14,815	15,602	14,748
Gains / (Losses) on disposal of assets	8	(391)	11,312	(391)	11,312
Total income from continuing operations		609,337	607,564	607,937	607,720
Expenses from continuing operations					
Employee related expenses	9	357,414	349,509	355,709	347,884
Depreciation and amortisation	10	32,408	32,410	32,401	32,404
Repairs and maintenance	11	16,132	15,001	16,131	15,000
Other expenses	12	162,452	154,462	162,749	156,049
Bad and doubtful debts	13	534	346	534	346
Total expenses from continuing operations		568,940	551,728	567,524	551,683
Operating result before income tax		40,397	55,836	40,413	56,037
Income tax (income)/expense		(64)	(16)	35	12
Operating result attributable to members of University of South Australia	26(b)	40,461	55,852	40,378	56,025
Items that may be reclassified to profit or loss:					
Available-for-sale financial assets valuation gains taken to equity	26(a)	11,352	9,208	11,352	9,208
Available-for-sale financial assets transfer to profit or loss	26(a)	(111)	(60)	(111)	(60)
Total		11,241	9,148	11,241	9,148
Items that will not be reclassified to profit or loss:					
Gain/(Loss) on revaluation of land, buildings and infrastructure	26(a)	50,994	(3,188)	50,994	(3,188)
Gain on revaluation of art collection	26(a)	323	-	323	-
Total		51,317	(3,188)	51,317	(3,188)
Total comprehensive income attributable to the members of the University of South Australia		103,019	61,812	102,936	61,985

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



STATEMENT OF FINANCIAL POSITION

AS AT 31 December 2016

	Notes	Consolidated		University	
		2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
Current assets					
Cash and cash equivalents	14	317,789	343,029	316,597	341,600
Receivables	15	25,348	22,216	25,330	22,358
Deferred Government superannuation contribution	31	30,700	30,300	30,700	30,300
Other non-financial assets	18	23,008	22,477	22,986	22,451
Non-current assets held for sale	19	3,080	-	3,080	-
Total current assets		399,925	418,022	398,693	416,709
Non-current assets					
Other financial assets	17	35,779	24,580	37,339	26,337
Property, plant and equipment	20	930,387	808,479	930,362	808,473
Deferred tax assets		398	298	-	-
Intangible assets	21	3,763	3,727	3,763	3,727
Deferred Government superannuation contribution	31	399,761	418,306	399,761	418,306
Total non-current assets		1,370,088	1,255,390	1,371,225	1,256,843
Total assets		1,770,013	1,673,412	1,769,918	1,673,552
Current liabilities					
Trade and other payables	22	49,332	36,549	49,134	36,767
Provisions	24	58,592	56,291	58,418	56,155
Current tax liabilities		42	31	46	31
Other liabilities	25	42,944	48,653	43,735	49,146
Defined benefit obligation	31	30,700	30,300	30,700	30,300
Total current liabilities		181,610	171,824	182,033	172,399
Non-current liabilities					
Trade and other payables	22	1,277	1,191	1,277	1,191
Provisions	24	13,382	11,127	13,382	11,127
Defined benefit obligation	31	399,761	418,306	399,761	418,306
Total non-current liabilities		414,420	430,624	414,420	430,624
Total liabilities		596,030	602,448	596,453	603,023
Net assets		1,173,983	1,070,964	1,173,465	1,070,529
Equity					
Reserves	26(a)	252,566	190,003	252,566	190,003
Retained earnings	26(b)	921,417	880,961	920,899	880,526
Total equity		1,173,983	1,070,964	1,173,465	1,070,529

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



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2016

	Consolidated			University		
	Reserves	Retained earnings	Total	Reserves	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2015	178,772	830,380	1,009,152	178,772	829,772	1,008,544
Profit or loss	-	55,852	55,852	-	56,025	56,025
Available-for-sale financial assets valuation gains taken to equity	9,208	-	9,208	9,208	-	9,208
Available-for-sale financial assets valuation gains taken to profit or loss	(60)	-	(60)	(60)	-	(60)
Loss on revaluation of land, buildings and infrastructure	(3,188)	-	(3,188)	(3,188)	-	(3,188)
Total comprehensive income	5,960	55,852	61,812	5,960	56,025	61,985
Transfers (from) / to Reserves	5,271	(5,271)	-	5,271	(5,271)	-
Balance as at 31 December 2015	190,003	880,961	1,070,964	190,003	880,526	1,070,529

	Consolidated			University		
	Reserves	Retained earnings	Total	Reserves	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2016	190,003	880,961	1,070,964	190,003	880,526	1,070,529
Profit or loss	-	40,461	40,461	-	40,378	40,378
Available-for-sale financial assets valuation gains taken to equity	11,352	-	11,352	11,352	-	11,352
Available-for-sale financial assets valuation gains taken to profit or loss	(111)	-	(111)	(111)	-	(111)
Gain on revaluation of land, buildings and infrastructure	50,994	-	50,994	50,994	-	50,994
Gain on revaluation of art collection	323	-	323	323	-	323
Total comprehensive income	62,558	40,461	103,019	62,558	40,378	102,936
Transfers (from) / to Reserves	5	(5)	-	5	(5)	-
Balance as at 31 December 2016	252,566	921,417	1,173,983	252,566	920,899	1,173,465

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



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 December 2016

		Consolidated		University	
		2016	2015	2016	2015
	Notes	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities:					
Inflows:					
Australian Government grants received	2(h)	390,179	383,469	390,179	383,469
OS-HELP (net)	2(h)	(518)	(715)	(518)	(715)
Superannuation Supplementation	2(h)	29,413	29,303	29,413	29,303
State and Local Government grants		9,195	13,856	8,828	13,680
HECS-HELP - Student payments		10,617	11,650	10,617	11,650
Receipts from student fees and other customers		138,009	129,880	137,811	129,308
Dividends received		945	2,168	838	2,389
Interest received		10,325	12,340	10,309	12,314
Royalties		498	208	90	146
Consultancy and contract research		31,723	33,727	31,764	34,145
Other receipts		16,319	16,881	15,853	16,821
GST recovered		13,871	8,712	14,042	8,870
Outflows:					
Payments to suppliers and employees (GST incl)		(576,003)	(576,853)	(574,840)	(576,089)
Net cash provided by / (used in) operating activities	36	74,573	64,626	74,386	65,291
Cash flows from investing activities:					
Inflows:					
Proceeds from sale of property, plant and equipment		892	30,186	892	30,186
Proceeds from sale of investments		2,827	2,240	2,728	2,240
Outflows:					
Payments for property, plant and equipment		(100,659)	(61,595)	(100,632)	(61,594)
Payments for investments		(2,873)	(9,360)	(2,377)	(9,151)
Net cash provided by / (used in) investing activities		(99,813)	(38,529)	(99,389)	(38,319)
Net increase / (decrease) in cash and cash equivalents		(25,240)	26,097	(25,003)	26,972
Cash and cash equivalents at the beginning of the financial year		343,029	316,932	341,600	314,628
Cash and cash equivalents at the end of the financial year	14	317,789	343,029	316,597	341,600

Non-cash investing and financing activities - refer to note 37.

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



1. Summary of significant accounting policies

General information

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years reported unless otherwise stated. The financial statements include separate statements for the University of South Australia (the University) and the University and its subsidiaries (Consolidated Entity).

(a) Basis of preparation

The annual financial statements represent the audited general purpose financial statements which have been prepared on an accrual basis in accordance with Australian Accounting Standards, AASB Interpretations, requirements of the Department of Education and Training (EDUCATION) and other State / Australian Government legislative requirements.

The University applies Tier 1 reporting requirements. Except where in conflict with the EDUCATION requirements, the financial statements are prepared in accordance with the South Australian Treasurer's Instructions and Accounting Policy Statements issued under the provisions of the *Public Finance and Audit Act 1987*.

In our opinion, the financial statements and notes of the Consolidated Entity comply with Australian Standards, some of which contain requirements specific to not-for-profit entities that are inconsistent with International Financial Reporting Standards.

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars and presented in Australian dollars.

Historical cost convention

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

Critical accounting estimates

Compliance with Australian Accounting Standards requires certain critical accounting estimates and assumptions to be applied in preparing the financial statements. Further, it requires management to exercise judgement in applying the University's accounting policies. Management's judgement is based on estimates and associated assumptions which are supported by historical experience and other reasonable factors.

The areas involving a high degree of judgement where assumptions and estimates are significant to the financial statements are other financial assets, superannuation receivable and associated defined benefit obligation, long service leave provision, and valuation and depreciation of property, plant and equipment. Further details are disclosed in the relevant notes to the financial statements.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period which it effects. If the revision affects both current and future periods, the revision is recognised in the period of the revision and future periods.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the University as at 31 December 2016 and the results of all subsidiaries for the year then ended. The University and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.



1. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

Subsidiaries are all those entities over which the Group has control. The Group has control over an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power over the investee exists when the Group has existing rights that give it current ability to direct the relevant activities of the investee. Returns are not necessarily monetary and can be only positive, only negative, or both positive and negative.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Details of subsidiaries are set out in Note 32.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group has no material investments in associates and therefore they are not incorporated in the financial statements (refer to Note 33).

(iii) Joint arrangements

Under AASB 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

Joint operations

If material, the share of assets, liabilities and expenses of a joint operation are incorporated in the financial statements under the appropriate headings. Details of joint operations are set out in Note 34(a). The University's interests in these joint operations are not considered to be material to the University's core activities and therefore are not incorporated in the financial statements.

Joint ventures

If material, interests in a joint venture are accounted for in the consolidated financial statements using the equity method, after initially being recognised at cost by the University. Under the equity method the Group's share of the profits or losses of the entity are recognised in the Statement of Comprehensive Income, and the share of movements in reserves in the Statement of Comprehensive Income and the Statement of Changes in Equity.

Details of joint ventures are set out in Note 34(b). The University's interests in these joint ventures are not considered to be material to the University's core activities and therefore are not incorporated in the financial statements.



1. Summary of significant accounting policies (continued)

(c) Foreign currency translation

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

(d) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances rebates and amounts collected on behalf of third parties.

Revenue is recognised for the major business activities as follows:

(i) Financial assistance

EDUCATION financial assistance (including Commonwealth Grant Scheme, Higher Education Loan Programs, Scholarships and EDUCATION Research)

The University recognises EDUCATION financial assistance as revenue in the year in which it had been designated for the funding of teaching and research.

Other financial assistance (including ARC, NHMRC, Australian Government and State Government)

Grants received which have specified conditions which give the grantor the right to recall funds not spent in accordance with the specific agreement imposes on the University a performance obligation. That is, the University is required to consume the future economic benefits of the grant as specified, or return the grant to the grantor. Therefore these grants are deferred until this performance obligation has been extinguished and the grant funds have been expended in accordance with their respective agreement or the grantor has exercised the right for funds to be repaid or transferred.

Other grants which do not contain specified conditions are recognised on receipt.

(ii) Fees and charges

Fees and charges comprise revenue earned from the provision of programs and other services. Fees and charges are recognised in the period in which the programs or services are provided.

(iii) Investment income

Interest income is recognised as it accrues. Dividend income is recognised only when it is declared, determined or recommended by external entities before the 31 December reporting date.

(iv) Consultancy and contract research

Revenue from consultancy and contract research is recognised in the period in which the services are provided.

(v) Other revenue

Other revenue is recognised when the University obtains control or the right to receive the monies and the recognition criteria is met.



1. Summary of significant accounting policies (continued)

(e) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are due for settlement no more than 14 days from the date that invoice was issued for domestic Australian debtors, and no more than 30 days for other debtors.

Student fees receivables are recognised initially at fair value as at census date and are collectible at that point. Periodically these receivables are adjusted for any provision for impairment.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the University will not be able to collect all amounts due according to the original terms of receivables. The movement in the provision is recognised in the Statement of Comprehensive Income in the period in which receivables are adjusted to an estimated recoverable amount (at least annually).

(h) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date (the date on which the University commits to purchase or sell the asset). Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the University has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation surplus. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Statement of Comprehensive Income as gains and losses from investment securities.

If the market for a financial asset is not active (e.g. unlisted securities), the University attempts to establish fair value by using other valuation techniques. If no relevant or reliable fair value can be determined then the valuation basis reverts to original cost adjusted for impairment.



1. Summary of significant accounting policies (continued)

(h) Available-for-sale financial assets (continued)

The University assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss is removed from equity and recognised in the Statement of Comprehensive Income.

The University has investments in shares, fixed interest, property trusts and managed funds, which are classified as available-for-sale financial assets and measured at fair value.

(i) Property, plant and equipment

Property, plant and equipment original cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the University and the cost of the item can be measured reliably. Repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred (refer Note 11).

Revaluation increments are credited directly to the asset revaluation surplus except to the extent that the net increment reverses a net revaluation decrement previously recognised as an expense, in which case the revaluation increment is charged to the Statement of Comprehensive Income.

Revaluation decrements are debited directly to the asset revaluation surplus to the extent that a credit balance exists for that asset class. Any remainder of the net revaluation decrement is charged to the Statement of Comprehensive Income.

Revaluation increments and decrements are offset against one another within asset classes, but not otherwise.

Items of property, plant and equipment have been recognised in the financial statements as identified below. Expenditure on a single item of less than \$10,000 is generally not capitalised.

(i) Land

Land occupied by the University is either owned by the University or by the State Government. All land is recognised on the basis that the University effectively controls the land occupied and is shown at fair value based on periodic, but at least triennial, valuations by external independent valuers.

The last valuation was as at 31 December 2016 and was performed by R. Wood B AppSc PRM(VAL) AAPI from Opteon Pty Ltd (formerly Southwick Goodyear Pty Ltd). Land fair value estimates were based on the highest and best use of the land, being the existing use as University campuses and valued separately from any structures or improvements residing on it, but having regard to any restrictions of its use. Detail of restrictions on assets is provided in Note 1(m).



1. Summary of significant accounting policies (continued)

(i) Property, plant and equipment (continued)

(ii) Buildings

Buildings, other than buildings under construction, have been recognised on a fair value basis which management have concluded is approximated by written down current cost. These fair value estimates are based on periodic, but at least triennial, valuations by external independent valuers.

As at 31 December 2016, the entire buildings portfolio was re-valued independently by R. Wood B AppSc PRM(VAL) AAPI from Opteon Pty Ltd (formerly Southwick Goodyear Pty Ltd). Buildings fair value estimates were based on the highest and best use, being the existing use as University campuses. The valuation approach adopted has been to assess the 'written down current cost' for the Buildings. 'New replacement' costs on the basis of a modern equivalent were assessed and then generally depreciated using the 'straight line' method, having regard to the estimated useful and remaining life for each structure.

Buildings under construction are measured at cost.

(iii) Library collection

The library collection was internally revalued on 31 December 2014 to fair value based upon the written down cost of the most recent price inputs. The University has determined that subsequent acquisitions are measured at historical cost which approximates fair value with the University no longer revaluing the library collection. The value is depreciated over a ten year period on a straight-line basis.

(iv) Plant and equipment

Plant and equipment includes computer hardware and software, general equipment and vehicles. Plant and equipment is depreciated in accordance with Note 1(l). The carrying value, cost less accumulated depreciation, is deemed to be approximate fair value.

(v) Art collection

As at 31 December 2016, the University internally valued its art collection at fair value with the offsetting adjustments to the art collection revaluation surplus. The 2016 valuation resulted in an increase to the fair value of the art collection of \$0.323 million. The art collection will be internally re-valued by the Director: Samstag Museum of Art every three years giving consideration to current sales and auctions of works by the same artist and /or similar genre.

(vi) Leased assets

Leases of property, plant and equipment where the University has substantially all the risks and rewards of ownership are classified as finance leases.

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis, over the period of the lease. Refer to Note 30(b) for details on operating leases.



1. Summary of significant accounting policies (continued)

(j) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Assets classified as held for sale are not amortised or depreciated.

Non-current assets classified as held for sale and any associated liabilities are presented separately in the statement of financial position.

(k) Fair value measurement

The fair value of assets and liabilities must be measured for recognition and disclosure purposes.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value of assets or liabilities traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices for identical assets or liabilities at the end of the reporting period (Level 1). The quoted market price used for assets held by the Group is the most representative of fair value in the circumstances within the bid-ask spread.

The fair value of assets or liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments (Level 2) are used for long-term debt instruments held. Other techniques that are not based on observable market data (Level 3) such as estimated discounted cash flows, are used to determine fair value for the remaining assets and liabilities. The level in the fair value hierarchy is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Fair value measurement of non-financial assets is based on the *highest and best use* of the asset. The Group considers market participants use of, or purchase price of the asset, to use it in a manner that would be highest and best use.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

**1. Summary of significant accounting policies (continued)****(l) Depreciation**

Depreciation is provided for all property, plant and equipment other than land, art collection and buildings under construction. The Consolidated Entity does not depreciate the art collection because it believes that the service potential of the art collection has not, in any material sense, been consumed during the reporting period. Depreciation is calculated on a straight line basis to allocate the written down current cost of an asset over its estimated remaining useful life.

Assets class	Useful Life
Property:	
Buildings & Infrastructure	50 - 150 years
Leasehold improvements	Lease term
Library collection:	
Books	10 years
Journals	10 years
Electronic materials	10 years
Plant and equipment:	
IT infrastructure	5 years
IT systems	6 - 7 years
IT other	3 years
Motor vehicles	5 years
Other	10 years
Leased plant and equipment:	
IT infrastructure	5 years
IT other	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(m) Restrictions on assets

Land includes \$50.000 million (2015: \$44.910 million) of Crown Lands and \$17.360 million (2015: \$14.900 million) of land dedicated for educational use and Land under Finance Lease \$5.290 million (2015: nil).

The University has restrictions on the above land by application of the *University of South Australia Act, 1990* Section 6(3).

(n) Intangible assets and amortisation

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the Statement of Comprehensive Income as an expense when it is incurred.

With respect to internally generated intangible assets, expenditure on development activities is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Statement of Comprehensive Income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost over the period of the expected benefit, which is currently between 6 and 7 years.

Intangibles in progress represent capitalised expenditure where the project was incomplete at balance date. The expenditure is capitalised upon the completion of the project.



1. Summary of significant accounting policies (continued)

(o) Unfunded superannuation

An arrangement exists between the Australian Government and the South Australian State Government to share the unfunded liability of the University's beneficiaries of the South Australian State Superannuation Scheme on an emerging cost basis. This arrangement is evidenced by *Higher Education Funding Act 1988* and subsequent amending legislation. Accordingly, the unfunded liabilities have been recognised in the Statement of Financial Position as a liability with a corresponding asset. The recognition of both the asset and the liability consequently does not affect the year end net asset position of the University or the Group (refer to Note 31)

The recognition of the expense in the face statements is offset by the revenue received from the Australian Government. The Superannuation Supplementation Program funding is not recognised as revenue in the Statement of Comprehensive Income since it is in respect of an existing liability. Rather a net amount is shown as an "ordinary" expense within employee related expenses. As the University has a defined benefit plan which is fully covered by the Superannuation Supplementation program it has reported a nil expense in the Statement of Comprehensive Income.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the University prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Employee benefits provisions

(i) Annual Leave

The employees' entitlement to annual leave expected to be settled within twelve months of the end of the reporting period have been calculated at the amounts expected to be paid when liabilities are settled. Where the employees' entitlement to annual leave are not expected to be settled within 12 months of the end of the reporting period, the provision has been discounted to present values. Related on-costs have been recognised in payables.

(ii) Sick Leave

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

(iii) Long Service Leave

The liability for employees' entitlements to long service leave represent the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the end of the reporting period.

Liabilities for employees' entitlements, which are not expected to be settled within twelve months are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

In determining the liability for employees' entitlements consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Related on-costs have been recognised in payables.



1. Summary of significant accounting policies (continued)

(q) Employee benefits provisions (continued)

Regardless of the expected timing of settlements, provisions made in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlements of the liability for at least twelve months after the reporting date, in which case it would be classified as a non-current liability. Provisions made for annual leave and unconditional long service leave would be classified as a current liability where the employee has a present entitlement to the benefit. A non-current liability would include long service leave entitlements accrued for employees with less than 7 years of continuous service.

The long service leave and annual leave liability is independently actuarially estimated each year in accordance with AASB 119 Employee Benefits. The last update was performed at 31 December 2016 by Bruce Watson FIA, FIAA of Brett & Watson Pty Ltd.

(iv) Superannuation

Superannuation schemes exist to provide benefits to University employees and their dependants upon resignation, retirement, disability or death. The University recognises an expense in the Statement of Comprehensive Income for contributions paid to the funded schemes and on an emerging cost basis for the unfunded schemes. Note 31 provides details of the individual schemes.

(r) Workers' compensation

The University is responsible for payments of workers' compensation.

The provision for workers' compensation is independently actuarially estimated each year. The last update was performed at 31 December 2016 by Laurie Brett FIA, FIAA of Brett & Watson Pty Ltd using Case Estimation Methodology. Under this methodology, consideration is given to individual case estimates of all open claims plus an allowance for incurred but not reported claims, re-opening of claims regarded as closed and unforeseen escalation of case estimates as more information becomes available.

(s) Funds held on behalf of external entities

The University holds funds on behalf of a number of external entities which are managed by the University. As at balance date, the funds held are included in cash and cash equivalents and a corresponding liability is included in other liabilities (refer Note 25).

(t) Goods and Services Tax (GST)

Revenues and expenses are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included in receivables or payables in the Statement of Financial Position.

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



1. Summary of significant accounting policies (continued)

(u) Income tax

The University is exempt from income tax pursuant to Division 50 of the Income Tax Assessment Act 1997. The University subsidiaries are not exempt from income tax. Income tax expense or benefit for the period is calculated as the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities extinguished. In relation to foreign operations, the University is subject to tax under the Tax Acts applicable in some foreign countries. Tax in respect of these operations has been brought to account in the year it is incurred.

(v) Interests in Co-operative Research Centres

The University has an interest in eight Co-operative Research Centres. During 2016 the University provided funding to Co-operative Research Centres through cash contributions and research resources (in-kind) support.

The Co-operative Research Centres are:

- Automotive Australia 2020 CRC
- Co-operative Research Centre for Cell Therapy Manufacturing
- Co-operative Research Centre for Contamination Assessment and Remediation of the Environment II
- Co-operative Research Centre for Low Carbon Living
- Co-operative Research Centre for Remote Economic Participation
- Data to Decisions Co-operative Research Centre
- Wound Management Innovation Co-operative Research Centre
- Young and Well Co-operative Research Centre

(w) Changes in accounting policies

Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the University for the reporting period ending 31 December 2016. The University has assessed the impact of the new and amended standards and interpretations and considers the impact to be immaterial.

The application of the AASBs highlighted below may result in material changes to the University's future financial reports, however the quantitative effects of the University adopting these standards have not yet been determined.

AASB 15 *Revenue from Contracts with Customers*

The Australian Accounting Standards Board issued new accounting standard AASB 15 *Revenue from Contracts with Customers* on 12 December 2014 which is mandatory for adoption from 1 January 2019. Early adoption is not permitted by EDUCATION.

AASB 15 establishes a single and comprehensive framework which sets out how and when revenue is recognised.

The core principle of AASB 15 is that revenue is recognised when transfers of goods or services to customers occur in exchange for consideration which the vendor expects to be entitled to in exchange for the provision of those goods or services (i.e. fulfilment of performance obligations). Revenue will only be recognised when control over the goods or services is transferred to the customer, either over time or at a point in time.



1. Summary of significant accounting policies (continued)

(w) Changes in accounting policies (continued)

AASB 16 Leases

The Australian Accounting Standards board issued new accounting standard AASB 16 *Leases* in February 2016 which is mandatory for adoption 1 January 2019. Early adoption is not permitted by EDUCATION.

AASB 16 introduces a single accounting treatment for lessees, that is, recognition of a right-of-use asset and a lease liability. For lessors the finance and operating lease distinction and the accounting for leases remain largely unchanged.

AASB 1058 Income of Not-for-Profit Entities

The Australian Accounting Standards board issued new accounting standard AASB 1058 *Income of Not-for-Profit Entities* on 20 December 2016 which is mandatory for adoption 1 January 2019. The standard supersedes all the income recognition requirements relating to private sector NFP entities, and the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 *Contribution*.

AASB 1058 clarifies and simplifies the income recognition requirements that apply to NFP entities, in conjunction with AASB 15.

AASB 2015 – 6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

This standard extends the scope of AASB 124 *Related Party Disclosures* to include application by not for-profit public sector entities and is mandatory for adoption for annual reporting periods beginning on or after 1 July 2016.

The implementation of this standard will cause disclosure of related party transactions and Key Management Personnel remuneration for not-for-profit public sector entities, there will be no impact on the reported financial position or performance of the entity.

(x) Comparative Amounts

Where necessary, comparative information has been reclassified to enhance comparability in respect of changes in presentation adopted in the current year.

(y) Rounding of amounts

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars.

**2. Australian Government financial assistance including HECS-HELP and FEE-HELP****(a) Commonwealth Grants Scheme and Other Grants**

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
Commonwealth Grants Scheme		185,861	175,210	185,861	175,210
Indigenous Support Program		1,015	1,064	1,015	1,064
Partnership and Participation Program		6,685	7,186	6,685	7,186
Disability Support Program		126	107	126	107
Diversity and Structural Adjustment Fund		16	1,814	16	1,814
Promotion of Excellence in Learning and Teaching		249	417	249	417
Australian Maths & Science Partnership Program		183	253	183	253
Total Commonwealth Grants Scheme and Other Grants	40(a)	194,135	186,051	194,135	186,051

(b) Higher Education Loan Programs

	Note				
HECS-HELP - Australian Government Payments		118,235	115,199	118,235	115,199
FEE-HELP		9,138	8,708	9,138	8,708
SA-HELP		2,979	2,882	2,979	2,882
Total Higher Education Loan Programs	40(b)	130,352	126,789	130,352	126,789

(c) Scholarships

	Note				
Australian Postgraduate Awards		5,973	5,932	5,973	5,932
International Postgraduate Research Scholarships		480	472	480	472
Commonwealth Education Costs Scholarship		130	45	130	45
Commonwealth Accommodation Scholarships		68	25	68	25
Indigenous Access scholarships		108	29	108	29
Total Scholarships	40(c)	6,759	6,503	6,759	6,503



2. Australian Government financial assistance including HECS-HELP and FEE-HELP (continued)

(d) Education Research

	Note	Consolidated		University	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Joint Research Engagement Program		8,058	7,855	8,058	7,855
JRE Engineering Cadetships		128	121	128	121
Research Training Scheme		13,580	13,374	13,580	13,374
Research Infrastructure Block Grants		3,477	2,919	3,477	2,919
Sustainable Research Excellence in Universities		3,010	2,214	3,010	2,214
Total Education Research	40(d)	28,253	26,483	28,253	26,483

(e) Other Capital Funding

	Note	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Education Investment Fund		-	4,750	-	4,750
Total Other Capital Funding	40(e)	-	4,750	-	4,750

(f) Australian Research Council

	Note	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(i) Discovery					
Projects		1,595	1,611	1,595	1,611
Fellowships		1,108	1,702	1,108	1,702
Indigenous Researchers Development		43	358	43	358
Total Discovery	40(f)(i)	2,746	3,671	2,746	3,671
(ii) Linkages					
Infrastructure		321	182	321	182
Projects		2,821	1,943	2,821	1,943
Industrial Transformational Research Program		373	179	373	179
Total Linkages	40(f)(ii)	3,515	2,304	3,515	2,304
(iii) Networks and Centres					
Centres	40(f)(iii)	328	417	328	417
Total Networks and Centres		328	417	328	417
Total ARC		6,589	6,392	6,589	6,392

**2. Australian Government financial assistance including HECS-HELP and FEE-HELP (continued)****(g) Other Australian Government financial assistance**

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Non-capital				
Indigenous Tutorial Assistance Scheme	453	351	453	351
Other Commonwealth grants	4,219	6,695	4,219	6,695
Other Australian Government research grants	25,093	23,137	25,093	23,137
Total Non-capital	29,765	30,183	29,765	30,183
Capital				
Total Other Australian Government financial assistance	29,765	30,183	29,765	30,183
Total Australian Government financial assistance	395,853	387,151	395,853	387,151
Reconciliation				
Australian Government grants	265,501	260,362	265,501	260,362
HECS-HELP payments	118,235	115,199	118,235	115,199
FEE-HELP	9,138	8,708	9,138	8,708
SA-HELP	2,979	2,882	2,979	2,882
Total Australian Government financial assistance	395,853	387,151	395,853	387,151

**2. Australian Government financial assistance including HECS-HELP and FEE-HELP (continued)****(h) Australian Government Grants received - cash basis**

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
CGS and Other EDUCATION Grants	194,446	183,577	194,446	183,577
Higher Education Loan Programs	128,249	126,121	128,249	126,121
Scholarships	6,759	6,449	6,759	6,449
EDUCATION Research	28,253	26,484	28,253	26,484
Other Capital Funding	-	10,000	-	10,000
ARC grants - Discovery	3,399	3,272	3,399	3,272
ARC grants - Linkages	2,660	2,608	2,660	2,608
Other Australian Government Grants	26,413	24,958	26,413	24,958
Total Australian Government Grants received - cash basis	390,179	383,469	390,179	383,469
OS-HELP (Net)	(518)	(715)	(518)	(715)
Superannuation Supplementation	29,413	29,303	29,413	29,303
Total Australian Government funding received - cash basis	419,074	412,057	419,074	412,057

3. State and Local Government financial assistance

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Non-capital				
Research grants	6,854	7,593	6,854	7,799
Other	784	550	418	168
Total	7,638	8,143	7,272	7,967
Capital				
Other	169	5,610	169	5,610
Total	169	5,610	169	5,610
Total State and Local Government financial assistance	7,807	13,753	7,441	13,577



4. Fees and charges

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Course Fees and Charges				
Fee-paying onshore overseas students	102,539	91,226	102,539	91,226
Fee-paying offshore overseas students	2,467	2,171	2,467	2,171
Continuing education	967	903	967	903
Fee-paying domestic postgraduate students	3,636	3,653	3,636	3,653
Total Course Fees and Charges	109,609	97,953	109,609	97,953
Other Fees and Charges				
Miscellaneous Enrolment Fees	9,843	9,120	9,843	9,120
Other fees and charges	8,300	9,454	8,300	9,454
Seminar / Workshop Fees	3,052	1,671	3,052	1,671
Student Services Fees from students	2,115	1,885	2,115	1,885
Total Other Fees and Charges	23,310	22,130	23,310	22,130
Total Fees and Charges	132,919	120,083	132,919	120,083

5. Investment revenue

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Dividends and distributions	796	2,290	689	2,510
Interest	10,220	11,176	10,204	11,151
Total investment revenue	11,016	13,466	10,893	13,661

6. Consultancy and contract research

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Consultancy	2,327	3,399	2,263	3,393
Contracts	32,631	31,727	32,650	31,999
Total consultancy and contract research	34,958	35,126	34,913	35,392



7. Other income

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Donations and bequests	1,900	1,990	1,900	1,990
Scholarships and prizes	1,573	1,636	1,573	1,636
Other fees and charges	6,530	6,199	6,247	6,111
Other	6,057	4,990	5,882	5,011
Total other income	16,060	14,815	15,602	14,748

8. Gains/(Losses) on disposal of assets

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
(a) Disposal of property, plant and equipment				
Proceeds from sale	892	30,186	892	30,186
Carrying amount of assets sold	(1,596)	(19,355)	(1,596)	(19,355)
Net Gain/(Loss) on disposal of property, plant and equipment	(704)	10,831	(704)	10,831
(b) Sale of shares				
Available-for-sale investments	313	481	313	481
Total of Net Gain/(Loss) on disposal of assets	(391)	11,312	(391)	11,312



9. Employee related expenses

(a) Employee related expenses

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Academic				
Salaries	148,937	146,871	148,792	146,837
Contributions to superannuation and pension schemes:				
Emerging cost	210	349	210	349
Funded	22,386	21,482	22,386	21,482
Payroll tax	8,800	8,778	8,800	8,778
Workers' compensation	152	65	152	65
Long service leave	4,283	3,374	4,283	3,374
Annual leave	10,361	10,250	10,361	10,250
Total academic	195,129	191,169	194,984	191,135
Non-academic				
Salaries	121,455	118,225	120,129	116,848
Contributions to superannuation and pension schemes:				
Emerging cost	156	184	36	61
Funded	18,581	18,437	18,581	18,437
Payroll tax	7,584	7,542	7,508	7,462
Workers' compensation	125	564	125	565
Long service leave	4,277	3,984	4,254	3,971
Annual leave	9,877	9,172	9,862	9,173
Total non-academic	162,055	158,108	160,495	156,517
Total academic & non-academic employee related benefits	357,184	349,277	355,479	347,652
Council member remuneration	230	232	230	232
Total employee related expenses	357,414	349,509	355,709	347,884

**9. Employee related expenses (continued)****(b) Voluntary separation packages**

Employee related expenses include voluntary separation packages paid during the year as follows:

	Consolidated		University	
	2016	2015	2016	2015
	Number	Number	Number	Number
Number of voluntary separation packages	29	34	29	34
	\$'000	\$'000	\$'000	\$'000
Voluntary separation packages expenses	2,418	3,045	2,418	3,045
Annual leave and long service leave entitlements paid	821	897	821	897
Total amount associated with separations	3,239	3,942	3,239	3,942

There is no entitlement to recover separation payments from the South Australian Department of the Premier and Cabinet.

10. Depreciation and amortisation

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Depreciation				
Buildings	18,973	18,834	18,973	18,834
Leasehold improvements	526	429	526	429
Library collection	2,312	2,192	2,312	2,192
Plant and equipment	8,079	8,496	8,072	8,490
Infrastructure	1,710	1,711	1,710	1,711
Total depreciation	31,600	31,662	31,593	31,656
Amortisation				
Intangibles	808	748	808	748
Total amortisation	808	748	808	748
Total depreciation and amortisation	32,408	32,410	32,401	32,404

11. Repairs and maintenance

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Buildings	14,626	13,698	14,625	13,697
Grounds	1,506	1,303	1,506	1,303
Total repairs and maintenance	16,132	15,001	16,131	15,000

**12. Other expenses**

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Scholarships, grants and prizes	21,126	22,923	21,126	22,923
Non-capitalised equipment	6,200	6,939	6,200	6,939
Advertising, marketing and promotion	7,317	6,727	7,290	6,714
Telecommunications	3,461	3,541	3,449	3,526
Travel, staff development and entertainment	19,048	18,137	18,924	17,947
External services*	57,678	49,355	58,639	51,576
IT hardware and software	11,420	12,988	11,403	12,958
Library subscriptions	5,841	5,341	5,841	5,341
Printing	1,903	1,265	1,903	1,265
Operating lease rental expenses	3,320	3,340	3,320	3,340
Bank charges, legal costs, insurance and taxes	5,590	4,983	5,123	4,605
General consumables	7,326	6,874	7,310	6,851
Utilities	6,957	7,055	6,957	7,055
Other**	5,265	4,994	5,264	5,009
Total other expenses	162,452	154,462	162,749	156,049

* Included within external services for 2016 is an amount for consultants of \$1.783 million University (\$1.922 million Consolidated) exclusive of GST (2015: \$1.806 million University, \$1.914 million Consolidated). This amount excludes consultant payments for the capital works program.

** Net foreign exchange losses included in other expenses for 2016 were \$0.163 million University (\$0.163 million Consolidated) (2015: Net foreign exchange gains included in other revenue \$0.816 million University and \$0.812 million Consolidated)

13. Bad and doubtful debts

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Bad and doubtful debts	534	346	534	346
Total bad and doubtful debts	534	346	534	346

**14. Cash and cash equivalents**

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	8,187	9,273	8,147	9,178
Deposits at call	309,602	333,756	308,450	332,422
Total cash and cash equivalents	317,789	343,029	316,597	341,600

(a) Reconciliation to cash at the end of the year

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Balances as per Statement of Financial Position	317,789	343,029	316,597	341,600
Balances as per Statement of Cash Flows	317,789	343,029	316,597	341,600

(b) Cash at bank and on hand

During the year cash earned an average of 0.48% (2015: 0.53%) and interest was credited to the University on a monthly basis.

(c) Deposits

During the year cash deposits earned interest at a fixed rate which ranged between 2.74% and 3.40% (2015: range between 2.25% and 3.80%). These deposits had an average maturity of 320 days (2015: 232 days).

15. Receivables

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Trade debtors	13,218	12,652	13,015	12,615
Less: Provision for impaired receivables	(266)	(166)	(266)	(166)
	12,952	12,486	12,749	12,449
Student fees	3,741	3,862	3,741	3,862
Less: Provision for impaired receivables	(612)	(562)	(612)	(562)
	3,129	3,300	3,129	3,300
Commonwealth receivables	5,156	3,925	5,156	3,925
Other	4,111	2,505	4,296	2,684
Total receivables	25,348	22,216	25,330	22,358

**15. Receivables (continued)****(a) Impaired receivables**

As at 31 December 2016 current trade receivables of the Group with a nominal value of \$0.256 million (2015: \$0.141 million) were specifically identified as impaired. The individually impaired receivables were assessed in consultation with local responsible managers. Factors considered in the assessment included the age of the debt combined with the particular circumstances and experience with similar debt types. In addition, current trade receivables were collectively evaluated for impairment based upon past due status and historical collection experience resulting in a further provision of \$0.010 million (2015: \$0.025 million). The total amount of the provision for impaired trade receivables was \$0.266 million (2015: \$0.166 million).

Trade receivables

The ageing analysis of impaired trade receivables is as follows:

	Consolidated	
	2016	2015
	\$'000	\$'000
Less than 3 months	-	-
3 to 6 months	19	164
Over 6 months	247	2
Total impaired trade receivables	266	166

As at 31 December 2016, trade receivables of \$4.093 million (2015: \$5.791 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of past due but not impaired receivables is as follows:

	Consolidated	
	2016	2015
	\$'000	\$'000
Less than 3 months	3,674	4,707
3 to 6 months	390	643
Over 6 months	29	441
	4,093	5,791

Movements in the trade debtors provision for impaired receivables are as follows:

	Consolidated	
	2016	2015
	\$'000	\$'000
At 1 January	166	151
Provision for impairment recognised during the year	237	151
Receivables written off during the year as uncollectible	-	(70)
Unused amount reversed and debts collected	(137)	(66)
At 31 December	266	166



15. Receivables (continued)

(a) Impaired receivables (continued)

Student receivables

As at 31 December 2016, student receivables of \$2.286 million (2015: \$3.238 million) were past due but not impaired. The ageing analysis of these receivables is as follows:

	Consolidated	
	2016	2015
	\$'000	\$'000
Less than 3 months	83	171
3 to 6 months	1,064	1,256
Over 6 months	1,139	1,811
	2,286	3,238

Movements in the student fees provision for impaired receivables are as follows:

	Consolidated	
	2016	2015
	\$'000	\$'000
At 1 January	562	647
Provision for impairment recognised during the year	430	360
Receivables written off during the year as uncollectible	(342)	(371)
Unused amount reversed and debts collected	(38)	(74)
At 31 December	612	562

The creation and release of the provision for impaired receivables has been included in 'Bad and doubtful debts expense' in the Statement of Comprehensive Income. Amounts charged to the provision account are written off when there is no expectation of recovering additional cash.

The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

(b) Foreign exchange and interest rate risk

The carrying amount of the Group and the University's receivables are denominated in Australian Dollars.

(c) Fair value and credit risk

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

16. Investments accounted for using the equity method

The University has no material investments in associates or joint venture entities which would be accounted for in the consolidated financial statements using the equity method of accounting.



17. Other financial assets

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
Non-Current					
Shares in subsidiaries	32	-	-	4,100	4,100
Available-for-sale financial assets at fair value		35,779	24,580	33,239	22,237
Total other financial assets		35,779	24,580	37,339	26,337

18. Other non-financial assets

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
Current					
Prepayments		15,878	16,297	15,856	16,271
Accrued income		7,130	6,180	7,130	6,180
Total other non financial assets		23,008	22,477	22,986	22,451

19. Assets and liabilities held for sale

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
Non-current assets held for sale					
Land		3,080	-	3,080	-
Total non-current assets held for sale		3,080	-	3,080	-

The University has entered into a sales agreement to sell property at Underdale. Settlement is expected to occur in 2017. The asset was revalued under *AASB 116 Property, Plant and Equipment* and reclassified as a Non-current Asset Held for Sale, under the terms of *AASB 5 Non-Current Assets Held for Sale and Discontinued Operations*. The asset is held at fair value at 31 December 2016, with the contracted sale price considered the best indicator of fair value, under *AASB 13 Fair Value Measurement*.

**20. Property, plant and equipment**

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Land				
At valuation	158,810	122,570	158,810	122,570
At cost	-	9,276	-	9,276
Net book amount	158,810	131,846	158,810	131,846
Buildings				
At valuation	1,057,884	907,147	1,057,884	907,147
At cost	-	113,393	-	113,393
Accumulated depreciation	(503,192)	(473,015)	(503,192)	(473,015)
Net book amount	554,692	547,525	554,692	547,525
Construction in progress				
At cost	120,189	35,301	120,189	35,301
Net book amount	120,189	35,301	120,189	35,301
Plant and equipment				
At cost	90,772	87,264	90,672	87,190
Accumulated depreciation	(58,726)	(55,013)	(58,651)	(54,945)
Net book amount	32,046	32,251	32,021	32,245
Leasehold improvements				
At cost	7,784	7,215	7,784	7,215
Accumulated amortisation	(5,565)	(5,322)	(5,565)	(5,322)
Net book amount	2,219	1,893	2,219	1,893
Infrastructure				
At independent valuation	87,500	84,252	87,500	84,252
At cost	-	1,446	-	1,446
Accumulated depreciation	(45,440)	(44,551)	(45,440)	(44,551)
Net book amount	42,060	41,147	42,060	41,147
Art collection				
At valuation	3,774	3,279	3,774	3,279
At cost	36	33	36	33
Net book amount	3,810	3,312	3,810	3,312
Library collection				
At valuation	17,294	21,122	17,294	21,122
At cost	5,026	1,946	5,026	1,946
Accumulated depreciation	(9,289)	(10,034)	(9,289)	(10,034)
Net book amount	13,031	13,034	13,031	13,034
Plant and equipment in progress				
At cost	3,530	2,170	3,530	2,170
Net book amount	3,530	2,170	3,530	2,170
Total property, plant and equipment	930,387	808,479	930,362	808,473

20. Property, plant and equipment (continued)

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Construction in progress	Land	Buildings	Plant and equipment	Plant and equipment in progress	Leasehold improvements	Infrastructure	Library collection	Art collection	Total
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 December 2015										
Opening net book amount	12,160	137,306	551,651	34,436	3,152	5,255	42,600	13,766	3,299	803,625
Additions	54,797	-	-	3,685	1,991	-	-	1,965	-	62,438
Disposals	-	(4,750)	(13,693)	(407)	-	-	-	(505)	-	(19,355)
Reclassifications	(31,281)	-	30,614	3,037	(2,906)	-	523	-	13	-
Depreciation/amortisation charge	-	-	(18,834)	(8,496)	-	(429)	(1,711)	(2,192)	-	(31,662)
Revaluation	-	(710)	(2,213)	-	-	-	(265)	-	-	(3,188)
Other changes, movements	(375)	-	-	(4)	(67)	(2,933)	-	-	-	(3,379)
Closing net book amount	35,301	131,846	547,525	32,251	2,170	1,893	41,147	13,034	3,312	808,479
Year ended 31 December 2016										
Opening net book amount	35,301	131,846	547,525	32,251	2,170	1,893	41,147	13,034	3,312	808,479
Additions	93,386	281	-	7,716	2,321	-	-	3,140	81	106,925
Disposals	-	-	-	(742)	-	(18)	-	(831)	(5)	(1,596)
Reclassifications	(8,440)	-	7,131	900	(961)	870	401	-	99	-
Transfers to held for sale	-	(3,080)	-	-	-	-	-	-	-	(3,080)
Depreciation/amortisation charge	-	-	(18,973)	(8,079)	-	(526)	(1,710)	(2,312)	-	(31,600)
Revaluation	-	29,763	19,009	-	-	-	2,222	-	323	51,317
Other changes, movements	(58)	-	-	-	-	-	-	-	-	(58)
Closing net book amount	120,189	158,810	554,692	32,046	3,530	2,219	42,060	13,031	3,810	930,387



20. Property, plant and equipment (continued)

	Construction in progress	Land	Buildings	Plant and equipment	Plant and equipment in progress	Leasehold improvements	Infrastructure	Library collection	Art collection	Total
University	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 December 2015										
Opening net book value	12,160	137,306	551,651	34,421	3,152	5,255	42,600	13,766	3,299	803,610
Additions	54,797	-	-	3,684	1,991	-	-	1,965	-	62,437
Disposals	-	(4,750)	(13,693)	(407)	-	-	-	(505)	-	(19,355)
Reclassifications	(31,281)	-	30,614	3,037	(2,906)	-	523	-	13	-
Depreciation/amortisation charge	-	-	(18,834)	(8,490)	-	(429)	(1,711)	(2,192)	-	(31,656)
Revaluation	-	(710)	(2,213)	-	-	-	(265)	-	-	(3,188)
Other changes, movements	(375)	-	-	-	(67)	(2,933)	-	-	-	(3,375)
Closing net book amount	35,301	131,846	547,525	32,245	2,170	1,893	41,147	13,034	3,312	808,473
Year ended 31 December 2016										
Opening net book value	35,301	131,846	547,525	32,245	2,170	1,893	41,147	13,034	3,312	808,473
Additions	93,386	281	-	7,690	2,321	-	-	3,140	81	106,899
Disposals	-	-	-	(742)	-	(18)	-	(831)	(5)	(1,596)
Reclassifications	(8,440)	-	7,131	900	(961)	870	401	-	99	-
Transfers to held for sale	-	(3,080)	-	-	-	-	-	-	-	(3,080)
Depreciation/amortisation charge	-	-	(18,973)	(8,072)	-	(526)	(1,710)	(2,312)	-	(31,593)
Revaluation	-	29,763	19,009	-	-	-	2,222	-	323	51,317
Other changes, movements	(58)	-	-	-	-	-	-	-	-	(58)
Closing net book amount	120,189	158,810	554,692	32,021	3,530	2,219	42,060	13,031	3,810	930,362



21. Intangible assets

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Intangibles in progress				
At cost	1,469	1,618	1,469	1,618
Net closing book amount	1,469	1,618	1,469	1,618
Other intangible assets				
At cost	11,655	10,663	11,655	10,663
Accumulated amortisation and impairment	(9,361)	(8,554)	(9,361)	(8,554)
Net closing book amount	2,294	2,109	2,294	2,109
Total Intangibles	3,763	3,727	3,763	3,727

	Consolidated		Total
	Intangibles in progress	Other intangible assets	
	\$'000	\$'000	\$'000
Year ended 31 December 2016			
Balance at the beginning of the year	1,618	2,109	3,727
Additions	844	-	844
Reclassifications	(993)	993	-
Amortisation charge	-	(808)	(808)
Closing value at 31 December 2016	1,469	2,294	3,763
Year ended 31 December 2015			
Balance at the beginning of the year	328	2,817	3,145
Additions	1,290	40	1,330
Amortisation charges	-	(748)	(748)
Closing value at 31 December 2015	1,618	2,109	3,727



21. Intangible assets (continued)

	University		
	Intangibles in progress	Other intangible assets	Total
	\$'000	\$'000	\$'000
Year ended 31 December 2016			
Balance at the beginning of the year	1,618	2,109	3,727
Additions	844	-	844
Reclassifications	(993)	993	-
Amortisation charge	-	(808)	(808)
Closing value at 31 December 2016	1,469	2,294	3,763
Year ended 31 December 2015			
Balance at the beginning of the year	328	2,817	3,145
Additions	1,290	40	1,330
Amortisation charge	-	(748)	(748)
Closing value at 31 December 2015	1,618	2,109	3,727

22. Payables

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Current				
Trade creditors	34,656	23,421	34,458	23,639
Accrued salaries	5,049	3,700	5,049	3,700
Annual leave on-costs	5,355	4,899	5,355	4,899
Long service leave on-costs	4,207	3,946	4,207	3,946
OS-HELP liability to Australian Government	65	583	65	583
Total current payables	49,332	36,549	49,134	36,767
Non-current				
Long service leave on-costs	1,277	1,191	1,277	1,191
Total non-current payables	1,277	1,191	1,277	1,191
Total payables	50,609	37,740	50,411	37,958

(a) Foreign exchange and interest rate risk

The carrying amounts of the Group and the University's payables are denominated in Australian Dollars.



23. Borrowings

The University does not hold any borrowings.

(a) Financing arrangements

Unrestricted access was available at reporting date to the following lines of credit:

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Credit standby arrangements				
Total facilities				
Credit card facility	8,000	8,000	8,000	8,000
Documentary letter of credit facility	200	200	200	200
Bank Guarantee	5,100	5,100	5,100	5,100
Overseas bills purchased facility	1,000	1,000	1,000	1,000
Total credit standby arrangements	14,300	14,300	14,300	14,300
Used at balance date				
Credit card facility	11	3	11	3
Documentary letter of credit facility	-	-	-	-
Bank Guarantee	2,600	2,600	2,600	2,600
Overseas bills purchased facility	-	-	-	-
Total used at balance date	2,611	2,603	2,611	2,603
Unused at balance date				
Credit card facility	7,989	7,997	7,989	7,997
Documentary letter of credit facility	200	200	200	200
Bank Guarantee	2,500	2,500	2,500	2,500
Overseas bills purchased facility	1,000	1,000	1,000	1,000
Total unused at balance date	11,689	11,697	11,689	11,697



24. Provisions

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Current provisions expected to be settled within 12 months				
Annual leave	14,295	13,187	14,224	13,131
Long service leave	5,923	5,557	5,820	5,477
Separation scheme	888	1,305	888	1,305
Workers' compensation liability	391	502	391	502
	21,497	20,551	21,323	20,415
Current provisions expected to be settled after more than 12 months				
Annual leave	8,074	7,201	8,074	7,201
Long service leave	29,021	28,539	29,021	28,539
	37,095	35,740	37,095	35,740
Total current provisions	58,592	56,291	58,418	56,155
Non-current				
Long service leave	12,910	10,483	12,910	10,483
Workers' compensation liability	472	644	472	644
Total non-current provisions	13,382	11,127	13,382	11,127
Total provisions	71,974	67,418	71,800	67,282

Movements in the Workers' compensation liability are set out below:

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Carrying amount at start of year	1,146	1,028	1,146	1,028
Additional provisions recognised	689	685	689	685
Amounts used	(602)	(556)	(602)	(556)
Unused amounts reversed	(395)	-	(395)	-
Increase/(decrease) in discounted amount	25	(11)	25	(11)
Carrying amount at end of year	863	1,146	863	1,146



25. Other liabilities

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Current				
Funds held on behalf of external entities	1,731	2,924	1,631	2,840
Income in advance on incomplete projects	708	915	708	915
Fees and charges	13,365	14,637	13,365	14,637
Cwlth and State Government grants	23,281	26,523	23,281	26,523
Other	3,859	3,654	4,750	4,231
Total other liabilities	42,944	48,653	43,735	49,146



26. Reserves and retained earnings

(a) Reserves

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment revaluation surplus				
Land, Buildings and Infrastructure	229,757	178,763	229,757	178,763
Art collection	1,417	1,089	1,417	1,089
	231,174	179,852	231,174	179,852
Available-for-sale investments revaluation surplus	21,392	10,151	21,392	10,151
Total reserves	252,566	190,003	252,566	190,003

Movements

Property, plant and equipment revaluation reserve

Land, Buildings and Infrastructure				
Balance 1 January	178,763	176,680	178,763	176,680
Asset revaluation increment / (decrement)	50,994	(3,188)	50,994	(3,188)
Transfer (from) / to Retained earnings	-	5,271	-	5,271
Balance 31 December	229,757	178,763	229,757	178,763

Art collection				
Balance 1 January	1,089	1,089	1,089	1,089
Asset revaluation increment	323	-	323	-
Transfer (from) / to Retained earnings	5	-	5	-
Balance 31 December	1,417	1,089	1,417	1,089

Available-for-sale investments revaluation surplus

Balance 1 January	10,151	1,003	10,151	1,003
Available-for-sale financial assets valuation gains taken to equity	11,352	9,208	11,352	9,208
Available-for-sale financial assets transfer to profit or loss	(111)	(60)	(111)	(60)
Total Available-for-sale investments revaluation surplus	21,392	10,151	21,392	10,151

(b) Retained earnings

Retained earnings at 1 January	880,961	830,380	880,526	829,772
Operating result for the period	40,461	55,852	40,378	56,025
Transfers (from) / to Reserves	(5)	(5,271)	(5)	(5,271)
Retained earnings at 31 December	921,417	880,961	920,899	880,526



26. Reserves and retained earnings (continued)

(c) Nature and purpose of reserves

The University has three reserves. The land and buildings revaluation surplus records revaluations in land and buildings, the art collection revaluation surplus records revaluations in the art collection and the available-for-sale investments revaluation surplus records revaluations in investments.

27. Key management personnel disclosures

(a) Names of responsible persons

The following persons were responsible persons of the University during the 2016 year. Council members include University employees who may be ex-officio members or elected staff members.

2016 Council Members

Mr Jim McDowell, Chancellor

Professor David Lloyd, Vice Chancellor and President

Dr Wendy Craik AM, Deputy Chancellor

Mr Terry Evans, Pro Chancellor

Professor Pat Buckley

Ms Pauline Carr

Mr Eric Granger

Mr Jim Hazel

Hon John Hill

Mr Nick (Ka Leung) Li (term completed 31 December 2016)

Mr Carey Moore (term completed 31 December 2016)

Ms Paula Nagel AM

Ms Jade O'Donohue

Professor Leanna Read

Professor Rick Sarre (term completed 31 December 2016)

Ms Miriam Silva



27. Key management personnel disclosures (continued)

(b) Remuneration of Key management personnel

	Consolidated		University	
	2016	2015	2016	2015
	Number	Number	Number	Number
Remuneration of Council members				
Nil	4	4	4	4
\$1 to \$9,999	-	2	-	2
\$10,000 to \$19,999	7	6	7	6
\$20,000 to \$29,999	4	4	4	4
\$60,000 to \$69,999	1	1	1	1
	16	17	16	17

Remuneration received and receivable by Council members for their services as Council members was \$229,950 (2015: \$231,690). The total remuneration received and receivable by Council members in their position as Council members and as Directors of subsidiary companies was \$229,950 (2015: \$231,690).

	Consolidated		University	
	2016	2015	2016	2015
	Number	Number	Number	Number
Remuneration of executive officers				
\$240,000 to \$249,999	-	1	-	1
\$290,000 to \$299,999	-	1	-	1
\$300,000 to \$309,999	-	1	-	1
\$320,000 to \$329,999	1	-	1	-
\$330,000 to \$339,999	-	1	-	1
\$340,000 to \$349,999	-	1	-	1
\$350,000 to \$359,999	1	2	1	2
\$360,000 to \$369,999	2	-	2	-
\$370,000 to \$379,999	2	-	2	-
\$380,000 to \$389,999	1	-	1	-
\$400,000 to \$409,999	-	1	-	1
\$470,000 to \$479,999	1	-	1	-
\$490,000 to \$499,999	-	1	-	1
\$530,000 to \$539,999	1	-	1	-
\$590,000 to \$599,999	-	1	-	1
\$610,000 to \$619,999	1	-	1	-
\$870,000 to \$879,999	-	1	-	1
\$950,000 to \$959,999	1	-	1	-
	11	11	11	11

**27. Key management personnel disclosures (continued)****(b) Remuneration of Key management personnel (continued)**

Executives are defined as the Vice Chancellor and President and the University's Senior Management Group. The remuneration includes all normal salary, leave, allowances and other benefits paid during the reporting year. No executive received any remuneration from the University other than by way of salary and related benefits from a normal employment relationship.

(c) Executive Officers' compensation

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Short-term employee benefits	4,522	4,040	4,522	4,040
Post-employment benefits	598	556	598	556
Total Executive Officer's compensation	5,120	4,596	5,120	4,596

(d) Related party transactions

From time to time University Council members have interests or positions in entities with which the University conducts business. In all cases, transactions with these entities are undertaken on a normal commercial basis.

28. Remuneration of auditors

During the year, the following fees were paid for services provided by the auditor of the University, its related practices and non-related audit firms:

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Audit and review of the Financial Statements				
Fees paid to Auditor-General's Department	282	278	282	278
Fees paid to BDO Australia Ltd	21	13	-	-
Total paid for audit and review	303	291	282	278

29. Contingencies

The University has no material contingent liabilities.

**30. Commitments****(a) Capital commitments**

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment:				
Within one year	124,727	72,026	124,727	72,026
Between one and five years	1,066	13,773	1,066	13,773
Later than five years	-	-	-	-
Total Property, plant and equipment commitments	125,793	85,799	125,793	85,799

(b) Lease commitments - Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

Commitments in relation to leases contracted for at the reporting date, but not recognised as liabilities (i.e. operating leases), are payable as follows:

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Within one year	2,382	2,414	2,382	2,414
Between one and five years	6,878	6,476	6,878	6,476
Later than five years	-	1,531	-	1,531
Total future minimum lease payments	9,260	10,421	9,260	10,421

Major operating leases include leases for office space, vehicles and computers. The terms of the office space lease agreements include renewal or purchase options ranging between one and ten years.

(c) Other expenditure commitments

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

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Within one year	9,768	12,577	12,769	12,577
Between one and five years	9,000	13,486	18,161	13,486
Later than five years	44	-	44	-
Total other expenditure commitments	18,812	26,063	30,974	26,063

Other expenditure commitments includes cleaning, contributions to Co-operative Research Centres (CRC) and material commitments arising from grants received from the NHMRC. The Consolidated other expenditure commitments eliminates \$12.2m of commitments between the University and its subsidiaries for Service Level Agreements.



31. Superannuation plans

(a) Categories

The University contributes to a number of superannuation schemes, divided into the following categories:

- (i) UniSuper plans open to membership:
 - Defined Benefit Division
 - Accumulation 1
 - Accumulation 2
- (ii) State Government Schemes closed to future membership by University employees:
 - State Pension Scheme
 - State Lump Sum Scheme

(b) UniSuper Limited Superannuation Scheme

The employees' UniSuper plan is determined by the terms of employment and is managed by a corporate trustee, UniSuper Limited. The plan is administered by UniSuper Management Pty Ltd, a wholly owned subsidiary company.

The employer contribution rate for 2016 for employees in either the Defined Benefit Division (DBD) or Accumulation Super 2 was 17% of salaries. For employees in Accumulation Super 1 the contribution rate was 9.50% for 2016.

The UniSuper DBD is a defined benefit plan under Superannuation Law but is considered to be a defined contribution plan under Accounting Standards AASB 119. As set out under paragraph 28 of AASB 119 a defined contribution plan is a plan where the employer's legal or constructive obligation is limited to the amount it agrees to contribute to the funds and the actuarial risk and investment risk fall on the employee.

Clause 34 (b) of the Trust Deed states that the "Trustee must consider whether it is in the interests of the Members of Division A and Division B as a whole to reduce the benefits payable under Division A and and Division B and, if it so considers that it should reduce benefits (which may include benefits in the course of payment), it must do so on a fair and equitable basis and at a time or times it decides".

Clause 34 monitoring periods were initiated following the 30 June 2012 and 30 June 2013 actuarial investigations. Following the end of the monitoring period commencing on 30 June 2012, the Fund's actuary advised that the Trustee is not required to take any further action, and that monitoring period is now ceased.

The monitoring period commencing 30 June 2013 is still in place.

As at 30 June 2016 the assets of the DBD aggregate (i.e. entire multi-employer DBD plan) were estimated to be:

- \$2,252 million above vested benefits (2015: \$1,479 million) after allowing for various reserves. The Vested Benefits Index based on funding assumption was 112.2%. The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving the service of the participating institution) and include the value of indexed pensions being provided by the DBD.
- \$3,757 million above accrued benefits (2015: \$3,377 million in excess) after allowing for various reserves. The Accrued Benefits Index based on best estimate assumptions was 122.2%. The accrued benefits have been calculated as the present value of expected future benefit payments to members and indexed pensioners which arise from membership of UniSuper up to the reporting date.



31. Superannuation plans (continued)

(b) UniSuper Limited Superannuation Scheme (continued)

The vested benefit and accrued benefit liabilities were determined by the Fund's actuary using the actuarial demographic assumptions outlined in their report on the actuarial investigation of the DBD as at 1 July 2016. The financial assumptions used were:

	Vested Benefits	Accrued Benefits
Gross of tax investment return - DBD pensions	5.30% p.a.	6.90% p.a.
Gross of tax investment return - commercial rate indexed pensions	3.70% p.a.	3.70% p.a.
Net of tax investment return - non pensioner members	4.60% p.a.	6.10% p.a.
Consumer Price Index	2.50% p.a.	2.50% p.a.
Inflationary salary increases long term	3.50% p.a.	3.50% p.a.

Assets have been included at their net market value, i.e. allowing for realisation costs.

As at 30 June 2016 there is no funding surplus or deficit which currently affects, or is expected to affect, the amount of future contributions payable by participating employers to the Defined Benefit Plan.

(c) Super SA Superannuation plan

A number of present and past employees of the University and its predecessor institutions are members of the South Australian Superannuation Scheme. This scheme is administered by Super SA on behalf of the South Australian Superannuation Board (the Board) which is responsible for managing this scheme. The board was established under section 5 of the Superannuation Act 1988. The funds are managed by the specialist investment manager, Superannuation Funds Management Corporation of South Australia (Funds SA).

Under this scheme, benefits are paid as a continuing pension or lump sum to members eligible to claim their entitlement. The Pension Scheme is a defined benefit scheme where member benefits are calculated as a percentage of final salary. Benefits are generally payable fortnightly and are indexed by Consumer Price Index (CPI). The Lump Sum Scheme is part accumulation and part defined benefit where member basic entitlements represent a refund of the member's contributions with investment returns plus a defined multiple of final salary.

Under current arrangements, Super SA pays eligible members their benefit and is reimbursed by the University for the shortfall in the employer's contribution. The Commonwealth Government fully funds the University on an emerging cost basis for the costs and recovers the State's share of the cost directly from the State Government under the Commonwealth - State Agreement. The Agreement provides that the employer component of the superannuation benefits payable to former employees of the University who were members of one of the main State Schemes, be shared.

An actuarial assessment (the Assessment) of the University's superannuation liability with respect to future benefits for current pensioners and employees was performed by PricewaterhouseCoopers Securities Ltd as at 31 December 2016. The actuarial valuation was based on 30 June 2016 membership data which was projected to 31 December 2016 using the Projected Unit Credit Method. The University's present value of the defined benefit obligations was assessed to be \$472.9 million (2015: \$487.8 million).

The University's liability under the scheme has been partly funded by assets of \$42.4 million (2015: \$39.2 million) from 3% productivity employer contributions. This results in an unfunded liability of \$430.5 million (2015: \$448.6 million).

**31. Superannuation plans (continued)****(c) Super SA Superannuation plan (continued)**

The weighted average duration of the defined benefit obligation is 13.23 years (2015: 13.66 years). The expected maturity analysis of undiscounted benefit obligations is as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Defined Benefit obligation - 31 Dec 2016	30,677	30,122	89,880	544,520	695,199
Defined Benefit obligation - 31 Dec 2015	30,276	31,111	91,217	579,815	732,419

The analysis of the plan assets and the expected rate of return at the balance sheet date is as follows:

	2016 (%)		2015 (%)	
	Active Market	No Active Market	Active Market	No Active Market
Equity instruments	48.1	0.0	49.6	0.0
Property	2.5	11.8	2.6	11.8
Diversified Strategies Growth	0.7	10.3	0.7	9.0
Diversified Strategies Income	15.7	0.0	13.8	0.0
Inflation Linked Securities	0.0	5.7	0.0	7.2
Debt instruments	2.8	0.0	2.0	0.0
Cash	2.4	0.0	3.3	0.0
Total	72.2	27.8	72.0	28.0



31. Superannuation plans (continued)

(d) Balance Sheet Amounts

	University	
	2016	2015
	\$'000	\$'000
Reconciliation of the present value of the defined benefit obligation		
Present value of defined benefit obligation at beginning of year	487,763	508,569
Current service cost	(56)	446
Interest cost	15,124	15,299
Actuarial (gains) / losses		
(b) Impact of changes in financial assumptions	4,968	(5,768)
(c) Experience items	(4,975)	(698)
Benefits and expenses paid	(29,972)	(30,085)
Present value of defined benefits obligations at end of year	472,852	487,763
Reconciliation of the fair value of the defined benefit plan assets		
Fair value of Scheme assets at start of year	39,157	36,881
Interest income	1,259	1,146
Actual return on assets less Interest income	1,941	1,079
Employer contributions	30,006	30,136
Benefits and expenses paid	(29,972)	(30,085)
Fair value of Scheme assets at end of year	42,391	39,157
Net Liability		
Defined Benefit Obligation	472,852	487,763
Less: Fair value of plan assets	(42,391)	(39,157)
Net Liability	430,461	448,606

The net unfunded amount of \$430.5 million (2015: \$448.6 million) has been recognised in the accounts of the University as a liability and a corresponding receivable from the Commonwealth Government. The asset and liability have been classified as current and non-current according to cash flow projections of the Assessment.

**31. Superannuation plans (continued)****(d) Balance Sheet Amounts (continued)**

The Commonwealth Government has agreed to provide assistance under Section 20 of the Higher Education Funding Act to meet the additional costs in respect of State Government emerging cost schemes, where costs are in excess of funding provided for this purpose in the base operating grant.

Assumptions adopted by PricewaterhouseCoopers Securities Ltd in determining the University's liability were:

- Long term rate of increase in the Consumer Price Index (CPI) 2.5% per annum (2015 2.5%)
- Long term rate of salary increases 4.0% per annum (2015 4.0%)
- Discount Rate 3.1% per annum (2015 3.2%)

These rates provide for a 1.5% real gap between long term CPI and salary increases.

The sensitivity of the defined benefit obligation to changes in the significant assumptions is:

Significant Assumption	Increase in assumption	Impact on Defined Benefit Obligation	Decrease in assumption	Impact on Defined Benefit Obligation
Discount rate	0.5%	Decrease by 5.0%	0.5%	Increase by 5.5%
Salary growth rate	0.5%	Increase by 0.1%	0.5%	Decrease by 0.1%
Pension increase rate	0.5%	Increase by 5.7%	0.5%	Decrease by 5.3%



32. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of Entity	Principal place of business	Ownership interest	
		2016	2015
		%	%
(a) University of South Australia Foundation Incorporated	Australia	100	100
(b) UniSA Ventures Pty Ltd	Australia	100	100
(c) UniSA Health Pty Ltd	Australia	100	100

(a) University of South Australia Foundation Incorporated (Foundation)

The Foundation is a dormant entity with no assets, liabilities or equity as at 31 December 2016. This company will remain legally intact indefinitely to ensure that any future bequests, which have named the Foundation as the beneficiary, will ultimately flow to the University as intended.

(b) UniSA Ventures Pty Ltd

UniSA Ventures Pty Ltd was incorporated on 15 November 2011 and is wholly owned by the University. The University was allotted four million Ordinary Shares, issued at \$1.00 per share. A further share allotment of one hundred thousand Ordinary Shares, issued at \$1.00 per share occurred in May 2015.

UniSA Ventures Pty Ltd provides the University with business incubation and technology commercialisation services. Its role is to support the commercialisation of University research through the formation of spin-off companies, licensing and the sale of intellectual property to generate returns for the University, and also for the staff and students involved in the creation of intellectual property.

(c) UniSA Health Pty Ltd

UniSA Health Pty Ltd was incorporated on 13 September 2011 and is wholly owned by the University. The University was allotted ten Ordinary Shares, issued at \$1.00 per share.

The core business of UniSA Health Pty Ltd is to contribute to quality teaching by the provision of clinical placements to undergraduate and postgraduate students in private allied health clinic and to provide high quality patient care and health prevention/promotion services to UniSA staff, students and general public.

33. Investments in associates

SABRENet Ltd (SABRENet)

SABRENet is incorporated in Australia and was registered on 28 September 2005 as a nonprofit company limited by guarantee. The founding members are the three South Australian universities and the South Australian Government. The Defence Science and Technology Organisation (DSTO) is a contractual partner.

The company was established to further the use of advanced data networking for research and education in South Australia, in addition to enhancing economic and social advancement across the nation.

While the University has significant influence over SABRENet, its interest in SABRENet is limited to the use of SABRENet's asset (the network). That is, the University receives no return for its interest in SABRENet. To date, the University has provided \$0.250 million to SABRENet which was recognised as an expense in the year payment was made. Consequently, the University's interest in SABRENet has not been recognised in the accounts on an equity basis.

**34. Interests in joint arrangements****(a) Joint operations**

The University's interests in joint operations are as follows:

Entity	Reporting date	Ownership interest	
		2016	2015
		%	%
(i) Centre for Cancer Biology	31 Dec	50.00	50.00
(ii) Mawson Centre Building	31 Dec	63.00	63.00

(i) Centre for Cancer Biology

The Centre for Cancer Biology (CCB) carries out an innovative research program focusing on the fundamental causes of cancer and translating these discoveries into new ways to prevent and treat the disease.

In December 2014 the University and Central Adelaide Local Health Network (CALHN) entered into an alliance agreement to establish the CCB to further accommodate and support the growth of the Centre.

(ii) Mawson Centre Building

The University, the City of Salisbury, the Land Management Corporation, Delfin Lend Lease and the Department for Education and Child Development (DECD) entered into an agreement in 2003 to design, develop, construct and operate the Mawson Centre at Mawson Lakes. This multi-purpose community centre assists in meeting the cultural, entertainment, recreational and educational needs of the Mawson Lakes residents, employees and adjacent community. The University has a 63% share of the joint venture and management responsibility for the centre, with the City of Salisbury holding a 19% share and DECD holding an 18% share.

In 2016 the building was independently re-valued and the University's 63% share of the asset's carrying amount as at 31 December 2016 is \$6.510 million (2015: \$6.353 million) which is included in Buildings.

**34. Interests in joint arrangements (continued)****(b) Joint venture**

The University has an interest in a number of joint ventures as described below. The University's interests in these joint ventures are not considered to be material to the University's core activities. Consequently, they have not been taken up in the accounts on an equity basis as per the Australian Accounting Standard AASB 128 Investments in Associates and Joint Ventures.

Entity	Reporting date	Ownership interest	
		2016	2015
		%	%
(i) eResearch SA	31 Dec	33.00	33.00
(ii) South Australian Tertiary Admissions Centre	31 Dec	25.00	25.00

(i) eResearch SA (formerly South Australian Partnership for Advanced Computing (SAPAC))

eResearch SA is a collaborative joint venture of the three South Australian universities. Its mission is to support the development, implementation and use of eResearch methodologies and activities in South Australia, and to provide access to eResearch facilities and practical support for researchers from all disciplines. The University's 33% share of this joint venture has not been included in the consolidated report as this is immaterial to the University's activities.

(ii) South Australian Tertiary Admissions Centre (SATAC)

SATAC is a joint venture between the three South Australian public universities and the Minister of Higher Education and Skills. SATAC receives and processes undergraduate and postgraduate applications for admission to the TAFE SA, Charles Darwin University and the three public universities in South Australia. The University's 25% share of this joint operation has not been included in the consolidated report as this is immaterial to the University's activities.

35. Events occurring after the balance sheet date

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction, event of a material and unusual nature likely to affect significantly the operation of the University or the Consolidated Entity, the results of operations, or the state of affairs of the University or the Consolidated Entity in future periods.


36. Reconciliation of operating results after income tax to net cash flows from operating activities

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Operating result for the period	40,461	55,852	40,378	56,025
Add/(less) non-cash items:				
Depreciation and amortisation	32,408	32,410	32,401	32,404
Non-cash donations	(96)	(73)	(96)	(73)
Capital assets accrual	(7,016)	(2,099)	(7,016)	(2,099)
Other	201	2,860	-	2,933
Net (gain)/loss on sale of property, plant and equipment	704	(10,831)	704	(10,831)
Net (gain)/loss on sale of available-for-sale financial assets	(313)	(481)	(313)	(481)
Fair value (gains)/losses on other financial assets at fair value through profit or loss	202	411	202	411
Property, plant and equipment in progress adjustments	58	446	58	442
Changes in operating assets and liabilities:				
(Increase)/decrease in receivables	(3,132)	3,764	(2,972)	3,660
(Increase)/decrease in other assets	(631)	(3,628)	(535)	(3,622)
Increase/(decrease) in payables and tax liabilities	12,880	(477)	12,468	(427)
Increase/(decrease) in provisions	4,556	2,854	4,518	2,843
Increase/(decrease) in other liabilities	(5,709)	(16,382)	(5,411)	(15,894)
Net cash provided by / (used in) operating activities	74,573	64,626	74,386	65,291

37. Non-cash investing and financing activities

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Donations of works of art and library materials	96	73	96	73
	96	73	96	73



38. Financial risk management

The University's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The University's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The University uses different methods to measure different types of risk to which it is exposed. These methods include informal sensitivity analyses and seeking professional advice to manage the market risk of its investments.

Risk management is co-ordinated by the University under policies approved by Council. The University identifies and evaluates financial risks in close co-operation with the University's operating units.

(a) Market risk

(i) Foreign exchange risk

The University assesses the likely foreign exchange risk for offshore activities and enters into hedging arrangements if appropriate.

As at 31 December 2016 the University held MYR\$0.136 million (AUD\$0.042 million) (2015: MYR\$0.136 million (AUD\$0.043 million)) in an offshore bank account.

As at 31 December 2016 the University held USD\$4.914 million (AUD\$6.791 million) (2015: USD\$5.314 million (AUD\$7.273 million)) in an offshore bank account.

The University assesses the likely foreign exchange risk for probable forecasted transactions in foreign currencies for onshore activities and enters into hedging arrangements to mitigate foreign exchange risk if appropriate. During 2016 the University had four hedging contracts mature totalling USD\$1.05 million (AUD\$1.41 million) to mitigate foreign exchange risk for probable forecasted transactions in foreign currencies therefore classified as a fair value hedge. As at 31 December 2016 there were no hedging contracts in place (2015: Payable of AUD\$0.029 million).

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as such the Consolidated Entity intends to hold fixed rate assets and liabilities to maturity.

(iii) Risk associated with available-for-sale assets

Investments comprise investments in listed and unlisted entities. The University has a prudent investment strategy. It is acknowledged there may be short-term fluctuations in asset values from time to time; however historical trends for such a strategy indicate that, with reasonable probability, unrealised losses will be recovered in the medium to long-term.

The nature of the University's activities are generally low risk. Investments tend to be largely held in term deposits with banking institutions and debtors are spread across a large number of customers. Due to the nature and value of the financial instruments held by the University, sensitivity analysis has not been provided.

**38. Financial risk management (continued)****(b) Credit risk**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets excluding investments of the University which have been recognised in the statement of financial position is the carrying amount net of any provisions for impaired receivables.

The University is not materially exposed to any specific overseas country or individual customer.

(c) Liquidity risk

The following tables summarise the maturity of the Group's financial assets and financial liabilities:

	Average Interest rate	Less than 1 Year	1 to 5 years	5+ years	Non interest bearing	Total
2016	%	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Cash and cash equivalents	2.83 %	317,789	-	-	-	317,789
Receivables		-	-	-	21,085	21,085
Other financial assets		-	-	-	35,779	35,779
Total financial assets		317,789	-	-	56,864	374,653
Financial liabilities						
Payables		-	-	-	36,353	36,353
Total financial liabilities		-	-	-	36,353	36,353

	Average Interest rate	Less than 1 Year	1 to 5 years	5+ years	Non interest bearing	Total
2015	%	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Cash and cash equivalents	3.13 %	343,029	-	-	-	343,029
Receivables		-	-	-	19,532	19,532
Other financial assets		-	-	-	24,580	24,580
Total financial assets		343,029	-	-	44,112	387,141
Financial liabilities						
Payables		-	-	-	22,572	22,572
Total financial liabilities		-	-	-	22,572	22,572

**39. Fair Value Measurement****(a) Fair value measurements**

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

Due to the short-term nature of the current receivable their carrying value approximates their fair value and based on credit history it is expected that the receivables that are neither past due nor impaired will be received when due.

The carrying amounts and aggregate fair values of the Group's financial assets and liabilities at balance date are:

	Carrying Amount		Fair Value	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	317,789	343,029	317,789	343,029
Receivables	21,085	19,532	21,085	19,532
Other financial assets	35,779	24,580	35,779	24,580
Total financial assets	374,653	387,141	374,653	387,141
Financial Liabilities				
Payables	36,353	22,572	36,353	22,572
Total financial liabilities	36,353	22,572	36,353	22,572

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets at fair value through profit or loss
- Available-for-sale financial assets
- Land and buildings
- Library collection
- Art collection

(b) Fair value hierarchy

The University categorises assets and liabilities measured at fair value into a hierarchy based on the level of inputs used in measurements.

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs)



39. Fair Value Measurement (continued)

(b) Fair value hierarchy (continued)

(i) Recognised fair value measurements

Fair value measurements recognised in the statement of financial position are categorised into the following levels at 31 December 2016.

Fair value measurements

	Note	2016 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements at 31 December 2016					
Financial assets					
Available-for-sale financial assets	17				
Equity securities		35,779	12,439	20,327	3,013
Total financial assets		35,779	12,439	20,327	3,013
Non-financial assets					
Land and buildings	20				
Land		158,810	-	158,810	-
Buildings & Infrastructure		596,752	-	11,000	585,752
Non-financial assets	20				
Library collection		13,031	-	-	13,031
Art collection		3,810	-	-	3,810
Non-current assets held for sale		3,080	-	3,080	-
Total non-financial assets		775,483	-	172,890	602,593

	Note	2015 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements at 31 December 2015					
Financial assets					
Available-for-sale financial assets	17				
Equity securities		24,580	12,448	9,198	2,934
Total financial assets		24,580	12,448	9,198	2,934
Non-financial assets					
Land and buildings	20				
Land		131,846	-	131,846	-
Buildings & Infrastructure		588,672	-	9,300	579,372
Other non-financial assets	20				
Library collection		13,034	-	-	13,034
Art collection		3,312	-	-	3,312
Total non-financial assets		736,864	-	141,146	595,718

There were no transfers between Levels 1 and 2 for recurring fair value measurements during the year. There



39. Fair Value Measurement (continued)

(b) Fair value hierarchy (continued)

was one transfer of Equity Securities from Level 3 to Level 2 as a result of obtaining a market valuation.

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

(ii) Disclosed fair values

The fair value of assets or liabilities traded in active markets (such as trading and available-for-sale securities disclosed in Note 17) is based on quoted market prices for identical assets or liabilities at the reporting date (Level 1). This is the most representative of fair value in the circumstances.

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables.

(c) Valuation techniques used to derive Level 2 and Level 3 fair values

(i) Recurring fair value measurements

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

If there are significant inputs to a valuation which are not obtained from observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities.

The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.



39. Fair Value Measurement (continued)

(d) Fair value measurements using significant unobservable inputs (Level 3)

The following table is a reconciliation of Level 3 items for the periods ended 31 December 2016 and 2015.

Level 3 Fair Value Measurement 2016	Unlisted equity securities \$'000	Buildings & Infrastructure \$'000	Library Collection \$'000	Art Collection \$'000	Total \$'000
Opening balance	2,934	579,372	13,034	3,312	598,652
Acquisitions	496	6,764	3,140	180	10,580
Disposals	-	-	(831)	(5)	(836)
Recognised in profit or loss	-	(20,683)	(2,312)	-	(22,995)
Recognised in other comprehensive income	(317)	20,299	-	323	20,305
Transfers out	(100)	-	-	-	(100)
Closing balance	3,013	585,752	13,031	3,810	605,606

Level 3 Fair Value Measurement 2015	Unlisted equity securities \$'000	Buildings & Infrastructure \$'000	Library Collection \$'000	Art Collection \$'000	Total \$'000
Opening balance	2,585	584,951	13,766	3,299	604,601
Acquisitions	606	31,137	1,965	13	33,721
Disposals	(205)	(13,693)	(505)	-	(14,403)
Recognised in profit or loss	-	(20,545)	(2,192)	-	(22,737)
Recognised in other comprehensive income	(52)	(2,478)	-	-	(2,530)
Closing balance	2,934	579,372	13,034	3,312	598,652

(i) Transfers between Level 2 and Level 3 and changes in valuation techniques

Other than described above, there were no material changes in valuation techniques during the year.

**39. Fair Value Measurement (continued)****(d) Fair value measurements using significant unobservable inputs (Level 3) (continued)****(ii) Valuation inputs and relationships to fair value**

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements. See (c) above for the valuation techniques adopted.

Description	Fair value at 31 December 2016 \$'000	Unobservable inputs	Range of inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Unlisted equity securities	3,013	Market comparison based on internal assessment of net asset values and potential growth.	Net asset position and future earnings.	Increase in net assets and increase in future earnings would result in higher fair values; decrease in net assets and decrease in future earnings would result in lower fair values.

(iii) Valuation processes

The Group performs the valuations of non-property items required for financial reporting purposes, including Level 3 fair values.

The Group engages external, independent and qualified valuers to determine the fair value of the Group's land, buildings and infrastructure at least every three years. As at 31 December 2016, the fair values of land and buildings have been determined by Opteon Pty Ltd.

The valuation technique for buildings adopted by Opteon Pty Ltd was to assess the written down current cost for the buildings. New replacement costs on the basis of a modern equivalent were assessed and then generally depreciated using the straight line method, having regard to the estimated useful and remaining life for each structure.

The library collection was internally revalued on 31 December 2014 to fair value based upon written down cost of the most recent price inputs. The University has determined that subsequent acquisitions are measured at historical cost which approximates fair value with the University no longer revaluing the library collection.

The Art collection is revalued at least every three years using an internal valuation carried out by the Director: Samstag Museum of Art giving consideration to current sales and auctions of works by the same artist and/or similar genre.



40. Acquittal of Australian Government financial assistance

(a) Commonwealth Grants Scheme and other Grants

	Commonwealth Grants Scheme		Indigenous Support Program		Partnership & Participation Program		Disability Support Program		Capital Development Pool	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period	186,114	175,578	1,015	1,064	6,841	6,335	126	107	-	-
Net accrual adjustments	(253)	(368)	-	-	(156)	851	-	-	-	-
Revenue for the period	185,861	175,210	1,015	1,064	6,685	7,186	126	107	-	-
Movement in deferred income	-	-	-	-	156	(851)	-	-	-	-
Surplus/(deficit) from the previous year	-	-	-	-	358	1,209	17	17	-	4,900
Total revenue including accrued revenue	185,861	175,210	1,015	1,064	7,199	7,544	143	124	-	4,900
Less expenses including accrued expenses	(185,861)	(175,210)	(1,015)	(1,064)	(6,685)	(7,186)	(52)	(107)	-	(4,900)
Surplus/(deficit) for the reporting period	-	-	-	-	514	358	91	17	-	-

	Diversity and Structural Adjustment Fund		Promo of Exc in Learning and Teaching		Australian Maths & Science Partnership Program		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period	-	-	-	-	261	261	194,446	183,577
Net accrual adjustments	(351)	-	440	232	261	261	(311)	2,474
Revenue for the period	16	1,814	249	417	183	253	194,135	186,051
Movement in deferred income	(367)	(1,814)	191	(185)	78	8	58	(2,842)
Surplus/(deficit) from the previous year	368	2,182	240	421	272	261	1,255	8,990
Total revenue including accrued revenue	17	2,182	680	653	533	522	195,448	192,199
Less expenses including accrued expenses	(17)	(1,814)	(227)	(413)	(187)	(250)	(194,044)	(190,944)
Surplus/(deficit) for the reporting period	-	368	453	240	346	272	1,404	1,255



40. Acquittal of Australian Government financial assistance (continued)

(b) Higher Education Loan Programs (excl OS-HELP)

	HECS-HELP (Australian Government payments only)		FEE-HELP		SA-HELP		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash Payable/(Receivable) at the beginning of the year	(618)	(146)	325	608	105	18	(188)	480
Financial assistance received in cash during the reporting period								
Cash available for the period	116,513	114,727	8,793	8,425	2,943	2,969	128,249	126,121
Revenue earned	115,895	114,581	9,118	9,033	3,048	2,987	128,061	126,601
Cash Payable/(Receivable) at the end of the year	2(b) 118,235	2(b) 115,199	2(b) 9,138	2(b) 8,708	2(b) 2,979	2(b) 2,882	2(b) 130,352	2(b) 126,789
	(2,340)	(618)	(20)	325	69	105	(2,291)	(188)



40. Acquitment of Australian Government financial assistance (continued)

(c) Scholarships

	Note	Australian Postgraduate Awards		International Postgraduate Research Scholarships		Commonwealth Education Cost Scholarships		Commonwealth Accommodation Scholarships		Indigenous Access Scholarships		Indigenous Staff Scholarships		Total	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period		5,973	5,932	480	472	130	30	68	-	108	15	-	-	6,759	6,449
Net accrual adjustments		-	-	-	-	-	15	-	25	-	14	-	-	-	54
Revenue for the period	2(c)	5,973	5,932	480	472	130	45	68	25	108	29	-	-	6,759	6,503
Movement in deferred income		-	-	-	-	-	(15)	-	(25)	-	(14)	-	-	-	(54)
Surplus/(deficit) from the previous year		2,025	1,598	-	-	119	140	-	19	-	14	12	12	2,156	1,783
Total revenue including accrued revenue		7,998	7,530	480	472	249	170	68	19	108	29	12	12	8,915	8,232
Less expenses including accrued expenses		(5,406)	(5,505)	(477)	(472)	(118)	(51)	(68)	(19)	(108)	(29)	-	-	(6,177)	(6,076)
Surplus/(deficit) for the reporting period		2,592	2,025	3	-	131	119	-	-	-	-	12	12	2,738	2,156



40. Acquittal of Australian Government financial assistance (continued)

(d) EDUCATION Research

	Joint Research Engagement		JRE Engineering Cadetships		Research Training Scheme		Research Infrastructure Block Grants		Sustainable Research Excellence in Universities		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period	8,058	7,855	128	121	13,580	13,374	3,477	2,919	3,010	2,214	28,253	26,483
Net accrual adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Revenue for the period	8,058	7,855	128	121	13,580	13,374	3,477	2,919	3,010	2,214	28,253	26,483
Surplus/(deficit) from the previous year	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue including accrued revenue	8,058	7,855	128	121	13,580	13,374	3,477	2,919	3,010	2,214	28,253	26,483
Less expenses including accrued expenses	(8,058)	(7,855)	(128)	(121)	(13,580)	(13,374)	(3,477)	(2,919)	(3,010)	(2,214)	(28,253)	(26,483)
Surplus/(deficit) for the reporting period	-	-	-	-	-	-	-	-	-	-	-	-



40. Acquittal of Australian Government financial assistance (continued)

(e) Other Capital Funding

	Education Investment Fund				Total	
	2016	2015	2016	2015	2016	2015
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period	-	10,000	-	-	-	10,000
Net accrual adjustments	-	(5,250)	-	-	-	(5,250)
Revenue for the period	-	4,750	-	-	-	4,750
Surplus/(deficit) from the previous year	-	7,370	-	-	-	7,370
Total revenue including accrued revenue	-	12,120	-	-	-	12,120
Less expenses including accrued expenses	-	(12,120)	-	-	-	(12,120)
Surplus/(deficit) for the reporting period	-	-	-	-	-	-



40. Acquittal of Australian Government financial assistance (continued)

(f) Australian Research Council Grants

	Projects		Fellowships		Indigenous Researchers Development		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(i) Discovery								
Financial assistance received in cash during the reporting period	2,171	1,055	1,268	1,981	(40)	236	3,399	3,272
Net accrual adjustments	(576)	556	(160)	(279)	83	122	(653)	399
	1,595	1,611	1,108	1,702	43	358	2,746	3,671
Revenue for the period	754	(543)	(3)	92	(73)	(122)	678	(573)
Movement in deferred income	1,519	2,062	1,340	1,248	88	210	2,947	3,520
Surplus/(deficit) from the previous year	3,868	3,130	2,445	3,042	58	446	6,371	6,618
Total revenue including accrued revenue	(1,595)	(1,611)	(1,108)	(1,702)	(43)	(358)	(2,746)	(3,671)
Less expenses including accrued expenses	2,273	1,519	1,337	1,340	15	88	3,625	2,947
Surplus/(deficit) for the reporting period								

2(f)(i)



40. Acquittal of Australian Government financial assistance (continued)

(f) Australian Research Council Grants (continued)

	Note	Infrastructure		Projects		Industrial Transformational Research Program		Total	
		2016	2015	2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(ii) Linkages									
Financial assistance received in cash during the reporting period		370	290	2,290	2,318	-	-	2,660	2,608
Net accrual adjustments		(49)	(108)	531	(375)	373	179	855	(304)
Revenue for the period	2(f)(ii)	321	182	2,821	1,943	373	179	3,515	2,304
Movement in deferred income		(218)	218	(552)	294	6	82	(764)	594
Surplus/(deficit) from the previous year		218	-	3,217	2,923	312	230	3,747	3,153
Total revenue including accrued revenue		321	400	5,486	5,160	691	491	6,498	6,051
Less expenses including accrued expenses		(321)	(182)	(2,821)	(1,943)	(373)	(179)	(3,515)	(2,304)
Surplus/(deficit) for the reporting period		-	218	2,665	3,217	318	312	2,983	3,747



40. Acquittal of Australian Government financial assistance (continued)

(f) Australian Research Council Grants (continued)

	Centres				Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Note						
(iii) Networks and Centres						
Financial assistance received in cash during the reporting period	-	-	-	-	-	-
Net accrual adjustments	328	417	328	417	328	417
Revenue for the period	328	417	328	417	328	417
Movement in deferred income	(23)	(127)	(23)	(127)	(23)	(127)
Surplus/(deficit) from the previous year	134	262	134	262	134	262
Total revenue including accrued revenue	439	552	439	552	439	552
Less expenses including accrued expenses	(328)	(417)	(328)	(417)	(328)	(417)
Surplus/(deficit) for the reporting period	111	135	111	135	111	135



40. Acquittal of Australian Government financial assistance (continued)

(g) Student Services and Amenities Fee

	Note	2016 \$'000	2015 \$'000
Unspent/(overspent) revenue from previous period		276	178
SA-HELP revenue earned	2(b)	2,979	2,882
Student services fees direct from students	4	2,115	1,885
Total revenue expendable in period		5,370	4,945
Student services expenses during period		(4,877)	(4,669)
Unspent/(overspent) student services revenue		493	276

(h) OS-HELP

	Note	2016 \$'000	2015 \$'000
Cash Received during the reporting period		1,177	692
Cash Spent during the reporting period		(1,695)	(1,407)
Net Cash received		(518)	(715)
Cash Surplus/(deficit) from the previous period		583	1,298
Cash surplus for the reporting period	22	65	583



40. Acquittal of Australian Government financial assistance (continued)

(i) Superannuation Supplementation

	Note	2016	2015
		\$'000	\$'000
	2(h)	29,413	29,303
Cash Received during the reporting period		29,413	29,303
Cash available		1,180	(147)
Cash surplus / (deficit) from the previous period		30,593	29,156
Cash available for current period		(31,194)	(27,976)
Contributions to specified defined benefit funds		(601)	1,180
Cash surplus for this period			



41. Acronyms and definitions

The following acronyms and terminology are used throughout the Financial Statements:

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ARC	Australian Research Council
ATO	Australian Taxation Office
AUD	Australian Dollar
CPI	Consumer Price Index
CRC	Co-operative Research Centre
DBD	UniSuper Defined Benefit Division
DECD	South Australian Government Department of Education and Child Development
EDUCATION	Australian Government Department of Education and Training
GST	Goods and Services Tax
HECS	Higher Education Contribution Scheme
MYR	Malaysian Ringgit
NAB	National Australia Bank
NHMRC	National Health and Medical Research Council
Safety margin	Operating result as a percentage of total income
USD	United States Dollar



CERTIFICATE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

To the best of our knowledge and belief:

- the financial statements:
 - are in accordance with the accounts and records of the University and give an accurate indication of the financial transactions of the University for the year then ended;
 - comply with the relevant Treasurer's Instructions promulgated under the provisions of the South Australian Public Finance and Audit Act 1987;
 - comply with relevant Accounting Standards and other mandatory professional reporting requirements in Australia, except to the extent noted in Note 1 Summary of Significant Accounting Policies and the Independent Audit Report; and
 - present a true and fair view of the financial position of the University as at 31 December 2016 and the result of its operations and its cash flows for the year then ended.
- the amount of Australian Government financial assistance expended during the reporting period was for the purpose(s) for which it was intended and the University has complied with applicable legislation, contracts, agreements and program guidelines in making expenditure.
- the University charged Student Services and Amenities Fees strictly in accordance with the Higher Education Support Act 2003 and the Administration Guidelines made under the Act. Revenue from the fee was spent strictly in accordance with the Act and only on services and amenities specified in subsection 19-38(4) of the Act.
- internal controls over financial reporting and preparation of the financial statements have been effective throughout the reporting period.

Jim McDowell
Chancellor

13 April 2017

Professor David G. Lloyd
Vice Chancellor and President

13 April 2017

Mr Peter Prest
Chief Financial Officer

13 April 2017



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chancellor University of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 19 of the *University of South Australia Act 1990*, I have audited the financial report of the University of South Australia and the consolidated entity comprising the University of South Australia and its controlled entities for the financial year ended 31 December 2016.

Qualified opinion

In my opinion, except for the effects of the matter described in the Basis for qualified opinion section of my report, the accompanying financial report gives a true and fair view of the financial position of the University of South Australia and its controlled entities as at 31 December 2016, their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, the *Higher Education Support Act 2003* and Australian Accounting Standards.

The consolidated financial report comprises:

- a Statement of Comprehensive Income for the year ended 31 December 2016
- a Statement of Financial Position as at 31 December 2016
- a Statement of Changes in Equity for the year ended 31 December 2016
- a Statement of Cash Flows for the year ended 31 December 2016
- notes, comprising significant accounting policies and other explanatory information.

Basis for qualified opinion

The University and its controlled entities has recognised \$25 million of unspent funding as a liability for the year ended 31 December 2016. These amounts have been accounted for as income received in advance and included in 'Other Liabilities - Commonwealth and State Government Grants', 'Other Liabilities - Income in advance on incomplete projects' and 'Other Liabilities - Other' in note 25 to the financial report. The University has disclosed its accounting treatment of these funds in note 1(d) to the financial report.

The funds represent contributions and meet the recognition criteria of income in accordance with Accounting Standard AASB 1004 Contributions and Accounting Policy Framework V Income Framework. The University controls these funds upon receipt and it is highly probable that any unspent funds will be spent in accordance with stipulated conditions. It is highly unlikely that unspent funds will need to be repaid to the granting bodies and as such funds should be recognised as income at the time of receipt.

As a result, the following has been misstated in the 2016 financial report:

- the revenue recognised as Australian Government grants is overstated by \$3.7 million (\$6.8 million overstated in 2015)
- the revenue recognised as State and Local Government financial assistance is understated by \$2.6 million (\$72 000 overstated in 2015)
- the revenue recognised as Consultancy and contract research is understated by \$202 000 (\$2 million overstated in 2015).
- Operating result attributable to members of University of South Australia is overstated by \$893 000 (\$8.9 million overstated in 2015)
- Other liabilities is overstated by \$25 million (\$25.9 million overstated in 2015)
- Closing retained earnings is understated by \$25 million (\$25.9 million understated in 2015).

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 University of South Australia and its controlled entities. 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 qualified opinion.

Responsibilities of the Vice-Chancellor and President and the Council for the financial report

The Vice-Chancellor and President 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*, the *Higher Education Support Act 2003* 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 Council is responsible for overseeing the University of South Australia's financial reporting process.

Auditor's responsibilities for the audit of the financial report

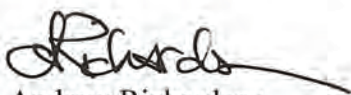
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an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

I communicate with those charged with governance and the Vice-Chancellor and President about, 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

Urban Renewal Authority

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
Income			
Revenue from sales	3	70 481	57 611
Less: cost of sales	3	36 935	28 869
Gross profit from sales		33 546	28 742
Share of net profit/(loss) in joint ventures	4	3 002	3 198
Revenues from Commonwealth and SA Government	5	6 750	9 403
Interest revenues	6	1 465	935
Property income	7	42 513	25 912
Other revenues	8	17 721	17 964
Net gain from disposal of non-current assets	9	1 319	-
Total Other Income		72 770	57 412
Net gain from transferred functions	37	548	637
Total Income		106 864	86 791
Expenses			
Employee benefits expenses	10	31 252	31 571
Operating expenditure	13	45 320	48 645
Borrowing costs	14	28 002	16 413
Depreciation and amortisation	21	473	491
Net loss from changes in value of non-current assets	4,19,20	20 744	142 790
Net loss from disposal of non-current assets	9	-	33
Total Expenses		125 791	239 943
Profit/Loss Before Income Tax Equivalent		(18 927)	(153 152)
Income Tax Equivalent		-	-
Profit/Loss After Income Tax Equivalent		(18 927)	(153 152)
Total Comprehensive Result		(18 927)	(153 152)

The Profit/Loss After Income Tax Equivalent and Total Comprehensive Result are attributable to the SA Government as owner.

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
Current Assets			
Cash and cash equivalents	35	11 144	117 307
Receivables	18	13 145	14 487
Inventories	19	66 504	72 264
Work in progress	22	-	94
Investment in joint ventures	4	2 492	3 410
Total Current Assets		93 285	207 562
Non-Current Assets			
Receivables	18	6 504	6 607
Inventories	19	247 654	233 961
Investment properties	20	719 505	146 580
Property, plant and equipment	21	2 061	2 416
Investment in joint ventures	4	168	349
Total Non-Current Assets		975 892	389 913
Total Assets		1 069 177	597 475
Current Liabilities			
Payables	24	20 760	15 517
Unearned income	27	6 149	3 121
Borrowings	25	161 280	115 894
Provisions	28	125	20 657
Employee benefits	29	4 516	4 426
Other liabilities	30	302	480
Total Current Liabilities		193 132	160 095
Non-Current Liabilities			
Payables	24	545	554
Unearned income	27	4 846	5 877
Borrowings	25	749 621	402 750
Provisions	28	235	251
Employee benefits	29	5 917	5 999
Total Non-Current Liabilities		761 164	415 431
Total Liabilities		954 296	575 526
Net Assets		114 881	21 949
Equity			
Contributed Capital		356 857	242 939
Retained Earnings		(241 976)	(220 990)
Total Equity		114 881	21 949
The total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments - operating leases	31		
Unrecognised contractual commitments - capital expenditure	32		
Contingent liabilities	33		

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

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2017

	Note Ref	Contributed Capital '\$000	Retained Earnings '\$000	Total '\$000
Balance at 30 June 2015		107 939	(60 639)	47 300
Loss after income tax equivalent for 2015-16		-	(153 152)	(153 152)
Total comprehensive result for 2015-16		-	(153 152)	(153 152)
Transactions with the SA Government in their capacity as owners:				
Equity Contribution		135 000	-	135 000
Dividends Paid	17	-	(7 199)	(7 199)
Balance as at 30 June 2016		242 939	(220 990)	21 949
Loss after income tax equivalent for 2016-17		-	(18 927)	(18 927)
Total comprehensive result for 2016-17		-	(18 927)	(18 927)
Transactions with the SA Government in their capacity as owners:				
Equity Contribution*		113 918	-	113 918
Dividends paid	17	-	(2 059)	(2 059)
Balance as at 30 June 2017		356 857	(241 976)	114 881

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

*Renewal SA received an equity contribution from the SA Government of \$113.9 million during 2016-17 and \$135.0 million during 2015-16 which were used to fund the acquisition of a portfolio of TAFE properties from the Department of State Development during 2016-17.

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
Cash flows from Operating Activities			
Cash Inflows			
Receipts from sales		79 277	63 244
Receipts from SA Government		14 414	30 614
Interest received		1 508	382
Receipts from mortgage debtors (principal and interest)		-	538
Receipts from tenants (rent and recoveries)		50 601	20 872
Recoveries and sundry receipts		17 614	26 849
Funds held in trust		4	5
Receipts for paid parental leave scheme		53	83
GST recovered from the ATO		55 636	535
Cash generated from operations		219 107	143 122
Cash Outflows			
Payments for land purchase and development		(76 092)	(48 070)
Payments to SA Government		(1 272)	-
Land tax paid		(19 548)	(20 648)
Interest paid		(28 004)	(22 834)
Payments to suppliers		(29 600)	(34 662)
Payments for employee benefits payments		(33 149)	(33 912)
Payments for paid parental leave scheme		(54)	(75)
Cash used in operations		(187 719)	(160 201)
Net Cash provided by/(used in) Operating Activities	34	31 388	(17 079)
Cash flows from Investing Activities			
Cash Inflows			
Distributions of profit by joint ventures		4 101	6 024
Proceeds from the sale of investment properties		33 010	-
Cash generated from investing activities		37 111	6 024
Cash Outflows			
Purchase of property, plant and equipment and investment property		(678 778)	(35)
Payments for Work in Progress		-	(15 418)
Cash used in investing activities		(678 778)	(15 453)
Net Cash provided by/(used in) Investing Activities		(641 667)	(9 429)
Cash flows from Financing Activities			
Cash Inflows			
Capital contributions received from the SA Government		113 918	135 000
Proceeds from borrowings		516 694	17 000
Cash generated from financing activities		630 612	152 000
Cash Outflows			
Repayment of borrowings		(124 437)	(17 518)
Dividends paid to SA Government		(2 059)	(7 199)
Cash used in financing activities		(126 496)	(24 717)
Net Cash provided by/(used in) Financing Activities		504 116	127 283
Net Increase/(Decrease) in Cash Held		(106 163)	100 775
Cash at the Beginning of the Financial Year		117 307	16 532
Cash at the End of the Financial Year	35	11 144	117 307

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

NOTE INDEX

Note	1	Objectives of the Urban Renewal Authority
Note	2	Summary of Significant Accounting Policies
Note	3	Revenue from Sales and Cost of Sales
Note	4	Joint ventures
Note	5	Revenues from Commonwealth and SA Government
Note	6	Interest revenues
Note	7	Property income
Note	8	Other revenues
Note	9	Net gain/(loss) from Disposal of Assets
Note	10	Employees Benefits Expenses
Note	11(a)	Key Management Personnel
Note	11(b)	Remuneration of committee members
Note	12	Related Party Disclosure
Note	13	Operating expenditure
Note	14	Borrowing Costs
Note	15	Auditors remuneration
Note	16	Income Tax Equivalent
Note	17	Dividends paid to SA Government
Note	18	Receivables
Note	19	Inventories
Note	20	Investment properties
Note	21	Property, Plant and Equipment
Note	22	Work in Progress
Note	23	Fair Value Measurement
Note	24	Payables
Note	25	Borrowings
Note	26	Tax Liabilities
Note	27	Unearned Income
Note	28	Provisions
Note	29	Employee Benefits
Note	30	Other Liabilities
Note	31	Unrecognised Contractual Commitments - Operating Leases
Note	32	Unrecognised Contractual Commitments - Capital Expenditure
Note	33	Contingent Liabilities
Note	34	Cash flow Reconciliation
Note	35	Cash and Cash Equivalents
Note	36	Financial Instruments Disclosure/Financial Risk Management
Note	37	Transferred Functions
Note	38	Transactions with SA Government
Note	39	Events after the Reporting Period

Note 1 Objectives of the Urban Renewal Authority

The Urban Renewal Authority (trading as Renewal SA) is a statutory corporation established under the *Urban Renewal Act 1995* (the Act). In accordance with the Act, Renewal SA's Board of Management is appointed by His Excellency the Governor and comprises up to seven members, including a Presiding Member. The Presiding Member reports to the Minister for Housing and Urban Development. Renewal SA's functions contained in the Act include;

- The development of residential, commercial and industrial land in the public interest, particularly for urban renewal purposes
- The facilitation of public and private sector investment, undertaking development activities which are attractive to potential investors and participating in the development of the State
- Managing the orderly development of areas through the management and release of land
- Holding land and other property to be made available as appropriate for commercial, industrial, residential or other purposes.

In undertaking its functions, Renewal SA will make a significant contribution to creating a vibrant city; safe communities, healthy neighbourhoods; an affordable place to live; and growing advanced manufacturing. Renewal SA has the responsibility for leading and co-ordinating urban renewal activity to ensure that our future housing needs are met through better planned, affordable and vibrant mixed use (residential and commercial) urban developments located near to transport, employment, education and other services.

Renewal SA has the following key strategic objectives:

- (a) Contribute to key strategic priorities of the SA Government, including:
 - creating a vibrant city
 - safe communities, healthy neighbourhoods
 - an affordable place to live; and
 - growing advanced manufacturing.
- (b) As the key precinct planning and delivery agency responsible for the 30-Year Plan for Greater Adelaide outcomes, work in partnership with communities and industry to help significantly reduce urban sprawl and progressively deliver 70% of urban growth within existing urban areas by 2038.
- (c) Through innovation and excellence in design quality, create well connected and integrated neighbourhoods where people can afford to live in safe, vibrant and healthy communities.
- (d) Show leadership to the market in social and environmental sustainability with smart planning and delivery for South Australia's expected population growth.
- (e) Acquire and assemble land to generate agreed urban outcomes in strategic locations for development or redevelopment via commercial negotiation and by leveraging opportunities from government owned land assets.
- (f) Facilitate opportunities to renew and improve social housing stock through urban renewal projects and by supporting the growth of the not-for-profit housing sector to meet future tenancy needs, to reduce current concentrations of social disadvantage and create safe healthy and vibrant communities.
- (g) Undertake development, including precinct planning, infrastructure and human services planning and coordination, to ensure the appropriate delivery of approved projects.
- (h) Engage, involve and consult with the community and other stakeholders during the planning and delivery of residential, commercial and mixed use projects that connect people to transport, services, employment and the community around them.
- (i) Negotiate with key stakeholders financial arrangements for the delivery of necessary infrastructure in development areas.
- (j) Ensure levels of affordable housing (purchase and rental) are increased, and overall levels of social rental housing (public, not-for-profit and community housing) are maintained across urban renewal projects.
- (k) Improve opportunities for more affordable living by concentrating Renewal SA program and project activity in transport corridors, maximising access to public transport and designing for reduced energy and water consumption.
- (l) Support economic development and employment growth through the creation and supply of employment lands and create opportunities for the private sector that will enable them to invest capital that will drive investment in urban renewal activities.
- (m) To be accountable and operate commercially in accordance with:
 - Sound business and financial management policies and practices
 - Government policy objectives; and
 - Prudent risk management practices.

In performing its functions, Renewal SA provides services to other State Government agencies including the South Australian Housing Trust and the Riverbank Authority under service level administrative arrangements.

Note 2 Summary of Significant Accounting Policies

2.1 Statement of Compliance

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

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

Renewal SA has applied Australian Accounting Standards that are applicable to for-profit entities, as Renewal SA is a for-profit entity.

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 Renewal SA's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes and include the value of inventories and cost of sales.
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.
- compliance with accounting policy statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in these financial statements:
 - a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies;
 - b) expenses incurred as a result of engaging consultants;
 - c) employee targeted voluntary separation package information;
 - d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees; and
 - e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

Renewal SA's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that have been revalued.

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

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

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

2.3 Comparative Information

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

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements if the impact is material. The restated comparative amounts do not replace the original financial statements for the preceding period.

2.4 Rounding

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

2.5 Taxation

In accordance with *Treasurer's Instruction 22 Tax Equivalent Payments*, Renewal SA is required to pay to the SA Government an income tax equivalent. The income tax liability is based on the State Taxation Equivalent Regime, which applies the accounting profit method. This requires that the corporate income tax rate be applied to the net profit. The current income tax liability, if applicable, relates to the income tax expense outstanding for the current period (refer note 26).

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

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

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

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

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

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

2.6 Events after the end of the reporting period

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

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

2.7 Income

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

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

The following are specific recognition criteria:

Revenues from sales

(a) Inventories - Land held for sale

Sales revenue in respect of land made available to the Northgate Joint Venture is brought to account when settlement occurs on individual allotments, on the basis of a percentage of gross sales revenue as specified in the Joint Venture Agreement.

With respect to all other land sales, recognition of sales revenue occurs when settlement is completed and legal title transfers to the purchaser.

(b) Investment properties

Sales revenue from the disposal of investment properties is recognised when settlement is completed and legal title transfers to the purchaser.

For investment properties that are the subject of a deferred purchase agreement, sales revenue is recognised at the commencement of the agreement (which coincides with expiration of the 12 month building defects liability period), however title to the property does not transfer to the purchaser until the deferred purchase agreement has been paid out in full.

Property income

Property income arising on investment properties is accounted for on a straight-line basis over the lease term. Income received in advance is disclosed as unearned income to the extent that it relates to future accounting periods.

Interest income

Interest revenue includes interest received on bank term deposits, interest from investments, interest from mortgage debtor receivables, and other interest received.

Joint venture income

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

Revenues from Commonwealth and SA Government

(a) Community service obligations

Renewal SA is required under its Charter to provide a number of non-commercial services to the community on behalf of the SA Government. The SA Government provides Renewal SA with funding to compensate for these non-commercial activities. Non-commercial activities include the provision of infrastructure, sustainable energy development and precinct and urban planning works.

Community service obligations are recognised at their fair value where there is a reasonable assurance that the funding will be received and Renewal SA will comply with all attached conditions.

Community service obligations relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate (refer note 5). Inventory development costs funded by community service obligations are capitalised against inventories and recognised in the Statement of Comprehensive Income as cost of sales when inventory is sold during the reporting period.

(b) Government grants

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

Renewal SA receives Government grants from the Commonwealth Government to implement a number of reforms in the social housing sector. The reforms include increasing the supply of social housing dwellings through construction of environmentally sustainable dwellings and locating social housing closer to transport, facilities and employment opportunities.

Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate (refer note 5).

Other contributions

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

Resources received free of charge

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

Gain from disposal of non-current assets and investments

Income from the disposal of non-current assets and investments is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds with carrying amount.

Other revenues

Other revenue is derived from the provision of goods and services to the public and other SA Government agencies. This revenue is recognised upon delivery of the service or by reference to the stage of completion and is brought to account when earned (refer note 8).

2.8 Expenses

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

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

The following are specific recognition criteria:

Employee benefits expenses

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

Superannuation

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

Supplies and services

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

Cost of sales

Cost of sales comprises all direct material acquisition, development and relevant holding costs, offset by deferred community service obligations relating to these costs in respect of inventory sold during the reporting period. The carrying amount of any inventories held for sale are expensed as cost of sales when settlement occurs. A portion of future development obligations in respect of land which has been sold is also recognised in cost of sales when settlement occurs, where applicable. Assumptions around future costs and revenues involve an element of professional judgement when estimating cost of sales for long life projects.

Project expenditure

Costs associated with projects are capitalised where it is expected that future economic benefits will be derived by Renewal SA so as to recover those capitalised costs.

Depreciation and amortisation

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

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

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

Land and investment properties are not depreciated.

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

Class of Asset	Depreciation Method	Useful Life (Years)
Leasehold improvements	Straight Line	Life of lease
Plant and equipment	Straight Line	5 - 10 years
Furniture and fittings	Straight Line	5 - 10 years
Computer equipment	Straight Line	5 years

Borrowing costs

Borrowing costs include interest expense and guarantee fees. In accordance with *Accounting Policy Framework II General Purpose Financial Statements Framework* and *AASB 123 Borrowing Costs*, borrowing costs attributable to the construction of a qualifying asset are capitalised. Borrowing costs are expensed where it is expected that the costs incurred will not be recovered. All other borrowing costs are expensed when incurred.

Resources provided free of charge

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

2.9 Current and non-current classification

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

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

2.10 Assets

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

Cash and cash equivalents

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

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

Cash is measured at nominal value.

Receivables

Receivables include amounts receivable from goods and services, GST input tax credits recoverable, prepayments and other accruals, measured at historical cost.

Receivables arise in the normal course of selling goods and services to the public and other SA Government agencies. Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

Inventories

Inventories include land and other property held for sale in the ordinary course of business. It excludes depreciating assets and investment properties.

Inventories are measured at the lower of cost or their net realisable value (refer note 19). Net realisable value is determined using the estimated sales proceeds less costs incurred in producing, marketing and selling to customers. Net realisable value (NRV) is determined on each individual asset/project by independent valuation or via an internal cash flow valuation.

The amount of any inventory write-down to NRV or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction.

The following are specific recognition criteria:

Land held for sale

Land held for sale is carried at the lower of cost or NRV. Costs comprise all direct material acquisition, development and holding costs offset by deferred Government grants relating to these costs. NRV is the estimated selling price in the ordinary course of business less both the estimated costs of completion and the estimated cost necessary to make the sale. Renewal SA reviews its inventory balances at balance date and writes off inventory where the NRV is less than the carrying amount. The NRV for land holdings at risk of being carried in excess of NRV was determined by an independent valuation of its market value less selling costs.

All land inventory is classified as a non-current asset unless its value is anticipated to be realised through sale within 12 months.

Where inventory was acquired at no or nominal consideration as part of a restructuring of administrative arrangements, the inventory was recorded at the value recorded by the transferor, immediately prior to transfer.

Development Projects

Development Projects are large projects that require significant capital investment in order to realise revenue over an extended period of time. Development Projects are carried at the lower of cost or NRV. Costs comprise all direct material acquisition, development and holding costs offset by deferred Government grants relating to these costs. NRV is the estimated selling price in the ordinary course of business less both the estimated costs of completion and the estimated cost necessary to make the sale. Renewal SA reviews its inventory balances at balance date and writes off inventory where the NRV is less than the carrying amount. The NRV for land

holdings at risk of being carried in excess of net realisable value was determined by an internal cash flow valuation based on the current delivery strategy for each project.

In determining the NRV via an internal valuation, the expected net cash flows from the development and sale of land, buildings and improvements in the ordinary course of business are discounted to their present values using a risk-adjusted discount rate. The rate is assessed annually having regard to appropriate risk factors.

The ordinary course of business delivery method and assumptions for each project could change due to market conditions or a change in policy or project strategy which could change the NRV. Where the NRV of a project is below the current inventory value, the difference is recognised as write down of inventory and an expense in the Statement of Comprehensive Income.

All development projects are classified as a non-current asset unless its value is anticipated to be realised through sale within 12 months.

Where inventory was acquired at no or nominal consideration as part of a restructuring of administrative arrangements, the inventory was recorded at the value recorded by the transferor, immediately prior to transfer.

Interests in joint ventures

Renewal SA's interest in joint ventures is measured by applying the equity method. Renewal SA's share of the assets and liabilities of joint ventures in which it has a participating interest is included in the Statement of Financial Position as investment in joint ventures. Renewal SA's share of net profit from joint ventures is included as revenue in the Statement of Comprehensive Income as share of net profit/(loss) in joint ventures. Details of Renewal SA's interests in joint ventures is shown in note 4.

Work in progress

Expenditure associated with the construction of investment properties held for operational purposes is capitalised as work in progress as incurred (refer note 22). When a project of this nature reaches practical completion (which generally coincides with the commencement of the building defects liability period), the accumulated costs are transferred from work in progress to investment properties.

Investment properties

Investment properties are held to earn rentals and/or for capital appreciation purposes.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to Renewal SA.

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

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

Any gains or losses on the sale of investment property are recognised in the Statement of Comprehensive Income in the year of sale.

Where investment property was acquired at no or nominal consideration as part of a restructuring of administrative arrangements, the investment property was recorded at the value recorded by the transferor, immediately prior to transfer.

An independent valuation of all Renewal SA's investment properties was conducted as at 30 June 2017.

Non-Current Asset Recognition Criteria

The following are specific recognition criteria:

Acquisition and recognition of non-current assets

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

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

All non-current assets, having limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Depreciation is applied to tangible assets such as property, plant and equipment (refer note 2.8).

Where non-current assets are acquired at no, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the non-current assets are acquired as part of a restructuring of administrative arrangements then the non-current assets are recognised at the book value recorded by the transferor, immediately prior to transfer.

Impairment

All non-current assets are tested for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. An amount by which the asset's carrying amount exceeds its recoverable amount is recorded as an impairment loss.

Fair value measurement

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

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

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

Non-financial assets

In determining fair value, Renewal SA has taken into account the characteristics of the asset (for example condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible and financially feasible).

Renewal SA's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible within the next five years.

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

Refer to notes 20, 21 and 23 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurement for non-financial assets.

Financial assets/liabilities

Renewal SA does not recognise any financial assets or financial liabilities at fair value.

2.11 Liabilities

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

Payables

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

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

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

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

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

Employee benefits on-costs include payroll tax, Return to Work SA levies and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

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

Borrowings/Financial liabilities

Renewal SA measures financial liabilities including borrowings/debt at historical cost. Financial liabilities that are due to mature within 12 months after the reporting date have been classified as current liabilities. All other financial liabilities are classified as non-current.

Leases

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

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases. Renewal SA has only entered into operating leases.

Renewal SA as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

Renewal SA as lessee

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

Employee benefits

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

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

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

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

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

Long service leave

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

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

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

Employee benefit on-costs

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

Unearned Income

Unearned income includes rental income and revenues from Commonwealth and SA Government received in advance. Rental income from the leasing of inventories and investment properties is recognised in the Statement of Comprehensive Income as part of property income, on a straight-line basis over the lease term. Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

Provisions

Provisions are recognised when Renewal SA has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June provided by a consulting actuary engaged through the Office of the Public Sector (a division of the Department of the Premier and Cabinet). The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

Renewal SA is responsible for the payment of workers compensation claims.

Guarantees and indemnities

Renewal SA constructs and owns specialised building premises which are leased or sold to private companies under the Premises SA Scheme. The construction of these buildings is financed through the use of SA Government Financing Authority loans. In some instances the outstanding loan amount in respect of construction exceeds the market value of the building. In order to address these value shortfalls, the former Industrial and Commercial Premises Corporation obtained guarantees and indemnities from the Minister for Industry and Trade for some of the arrangements entered into. Renewal SA is now the beneficiary of these guarantees and indemnities.

2.12 Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value (refer notes 31 and 32).

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value (refer note 33).

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

2.13 Insurance

Renewal SA has arranged through the SA Government Captive Insurance Corporation (SAICORP) to insure all major risks of Renewal SA. The excess payable under this arrangement varies depending on each class of insurance held.

2.14 Financial risk management

Renewal SA is exposed to a variety of financial risks, i.e. market risk, credit risk and liquidity risk (refer note 36).

Renewal SA maintains risk management policies and practices in accordance with AS/NZS ISO 31000:2009 *Risk Management - Principles and Guidelines*.

Renewal SA has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (deposits with the Treasurer and SAFA and mortgage debtor receivables) and liabilities (borrowings from the SA Government).

Renewal SA's exposure to foreign exchange risk and cash flow interest risk is minimal. Renewal SA is exposed to price risk for changes in interest rates that relate to long-term debt obligations.

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

2.15 New and Revised Accounting Standards and Policies

Renewal SA 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 not yet effective, have not been adopted by Renewal SA for the period ending 30 June 2017. Renewal SA has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of Renewal SA, except as outlined below.

AASB 16 Leases will apply for the first time for the reporting period beginning 1 July 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 Leases

This new standard is a significant change from the past accounting for leases. It will require Renewal SA to record almost all operating lease arrangements in the financial statements. Renewal SA has not yet quantified the impact of applying AASB 16 to its current operating lease arrangements on the financial statements.

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 under the revised standard. 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.

Note 3 Revenue from Sales and Cost of Sales

Sales revenue comprises revenue earned from the sale of land for residential, commercial and community purposes, including land made available for joint venture developments.

Sales revenue for the reporting period is summarised as follows:

	2017	2016
	\$'000	\$'000
<i>Land sales to:</i>		
Joint ventures	9 902	10 673
Entities within the SA Government	21 465	6 484
Other - sales to general public and developers	39 114	40 454
Total Sales Revenue	70 481	57 611

Cost of sales comprise all direct material acquisition, development and relevant holding costs in respect of inventory sold during the reporting period. Cost of sales for the reporting period is summarised as follows:

	2017	2016
	\$'000	\$'000
<i>Cost of sales associated with:</i>		
Joint ventures	1 306	1 150
Entities within the SA Government	6 230	2 202
Other - sales to general public and developers	29 399	25 517
Total Cost of Sales	36 935	28 869

Note 4 Joint Ventures

Renewal SA's share of the profit from ordinary activities of joint ventures in which Renewal SA has a participating interest, is as follows:

	Northgate Stage 3 Joint Venture		Total for all Joint Ventures	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Revenues	13 474	14 154	13 575	14 154
Expenses	(10 573)	(10 950)	(10 573)	(10 956)
Profit from ordinary activities	2 901	3 204	3 002	3 198

Movements in Renewal SA's investment in joint ventures during the reporting period are summarised as follows:

Share of investment in joint ventures:

Carrying amount at the beginning of the period	3 759	6 555	3 759	6 585
Profit for the reporting period	2 901	3 204	3 002	3 198
Distribution of profit	(4 000)	(6 000)	(4 101)	(6 024)
Total carrying amount of investment in joint ventures	2 660	3 759	2 660	3 759

Renewal SA's investment in joint ventures is represented by its share of assets and liabilities as follows:

	Northgate Stage 3 Joint Venture		Total for all Joint Ventures	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current assets:				
Cash	3 331	3 247	3 331	3 247
Receivables	522	695	522	695
Inventories	7 655	3 323	7 655	3 314
	11 508	7 265	11 508	7 256
Non current assets:				
Property, plant and equipment	168	349	168	349
	168	349	168	349
Total Assets	11 676	7 614	11 676	7 605
Current liabilities:				
Creditors and other payables	9 016	3 855	9 016	3 846
Total liabilities	9 016	3 855	9 016	3 846
Net assets	2 660	3 759	2 660	3 759
Impairment	-	-	-	-
Net assets after impairment	2 660	3 759	2 660	3 759

Northgate Stage 3 Joint Venture

In July 2006 documentation was executed with CIC Northgate Pty Ltd, a wholly-owned subsidiary of CIC Australia Limited, to establish a joint venture to develop the land subdivision component of Precinct One at Northgate Stage 3. The project primarily comprises the subdivision and sale of residential allotments and integrated housing sites together with the development of reserves and associated community facilities.

Renewal SA has a 50% interest in the joint venture. Under the terms of the agreements for the joint venture, Renewal SA will make available to the joint venture land for development and receive progressive land payments as development proceeds.

PAWR Marina Joint Venture

Under the PAWR Marina Joint Venture, Renewal SA held a 50% interest in a marina berth joint venture with Newport Quays Consortium, the former developers of the Port Adelaide Waterfront Redevelopment (PAWR). Under the PAWR Marina Joint Venture, marina berths were offered under leasehold arrangements, with Renewal SA retaining ownership of the inner harbour (subjacent land).

On 13 February 2014, Renewal SA and the Newport Quays Consortium executed a deed of settlement. Subject to various conditions precedent being met, the deed of settlement provided for the resolution of a number of issues arising between the parties following the termination of the PAWR Project Development Agreement (PDA) with the Newport Quays Consortium, which occurred on 31 October 2011, including the dissolution of the PAWR Marina Joint Venture. In December 2016 the last of the conditions precedent under the deed of settlement were resolved and a distribution of \$0.101m was received by Renewal SA which resulted in the dissolution of the PAWR Marina Joint Venture.

Note 5 Revenues from Commonwealth and SA Government

	2017	2016
	\$'000	\$'000
<i>Revenues from Commonwealth and SA Government is summarised as follows:</i>		
Community service obligations from SA Government	13 038	24 405
Funding from Commonwealth Government	-	960
Other SA Government revenues	366	5 249
Gross revenues from Commonwealth and SA Government	13 404	30 614
Less: Revenue deferred for inventory development costs	(6 654)	(21 211)
Total Revenues from Commonwealth and SA Government	6 750	9 403

Note 6 Interest Revenues

	2017	2016
	\$'000	\$'000
Interest from operating accounts	1 465	397
Other Interest	-	538
Total Interest Revenues	1 465	935

Note 7 Property Income

	2017	2016
	\$'000	\$'000
Rental income	35 095	18 170
Recoveries	7 385	7 673
Other property income	33	69
Total Property Income	42 513	25 912

Note 8 Other Revenues

	2017	2016
	\$'000	\$'000
Consulting revenue	5 662	4 004
Employee Services	10 387	10 759
Recoveries	456	586
Other revenues	1 216	2 615
Total Other Revenues	17 721	17 964

Employee services revenue represents the direct recovery of employee costs from the South Australian Housing Trust.

Consulting revenue represents the recovery of costs incurred by Renewal SA on a fee for service basis for services provided to various entities including services provided to the South Australian Housing Trust.

Note 9 Net Loss/Gain from Disposal of Assets

	2017	2016
	\$'000	\$'000
Plant and equipment:		
Proceeds from disposal	-	-
Less net book value of assets disposed	(333)	(33)
Net Loss from disposal of plant and equipment	(333)	(33)
Investment properties:		
Proceeds from disposal	33 010	-
Less net book value of assets disposed and lease incentive write off	(31 358)	-
Net Gain from disposal of completed assets	1 652	-
Total Net Loss/Gain from Disposal of Assets	1 319	(33)

Note 10 Employee Benefits Expenses

	2017	2016
	\$'000	\$'000
Salaries and wages	25 245	25 684
Long service leave	986	1 263
Annual leave	2 196	2 289
Skills and experience retention leave	49	114
Employment on-costs - superannuation	2 764	2 822
Employment on-costs - other	1 677	1 704
Board and committee fees	283	275
Other employee related expenses	53	563
Gross employee benefits expense	33 253	34 714
Less: Employee benefits capitalised to inventories	(2 001)	(3 143)
Total Employee Benefits Expenses	31 252	31 571

Targeted Voluntary Separation Packages (TVSPs)

Amount paid to staff		
TVSPs	82	728
Annual Leave, Retention Leave and long service leave paid to those employees	14	525
Net Cost to Renewal SA	96	1 253

Number of employees who received a TVSP during the reporting period was: 1 9

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:	2017	2016
	No:	No:
\$145 000 to \$147 000^	n/a	2
\$147 001 to \$157 000	3	8
\$157 001 to \$167 000	7	7
\$167 001 to \$177 000	8	6
\$177 001 to \$187 000	3	-
\$187 001 to \$197 000	1	3
\$197 001 to \$207 000	2	3
\$207 001 to \$217 000	2	-
\$227 001 to \$237 000	-	1
\$237 001 to \$247 000	-	2
\$257 001 to \$267 000	2	2
\$267 001 to \$277 000*	1	1
\$277 001 to \$287 000	-	2
\$287 001 to \$297 000	2	-
\$307 001 to \$317 000	-	1
\$347 001 to \$357 000*	-	1
\$397 001 to \$407 000	-	1
\$407 001 to \$417 000	1	-
Total number of employees	32	40

^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 \$6.324 million (2016: \$7.987 million).

* The table above also includes the termination component where the employee meets the \$147 001 (2016: \$141 500) threshold on normal remuneration. In 2016-17, no employees (2016: two) included in the table received termination payments.

Note 11 (a) Key Management Personnel

Key management personnel of Renewal SA include the Minister for Housing and Urban Development, members of the Urban Renewal Authority Board of Management, the Chief Executive and the members of the senior management team (including the Chief Executive) that have responsibility for the strategic direction and management of Renewal SA.

Board members

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

Hon B J Pike, Presiding Member
H M Fulcher
P A Baker
R L Boorman
G R Knight
D J McArdle
T R Groom

Key management personnel compensation

The compensation detailed below excludes salaries and other benefits to the Minister for Housing and Urban Development. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (Via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

Key management personnel compensation for the period ended 30 June 2017 and 2016 is set out below.

	2017	2016
	\$'000	\$'000
Salaries and other short-term employee benefits	1 680	1 662
Post-employment benefits	155	171
Total employee benefits	1 835	1 833

Remuneration of governing board members

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

	2017	2016
	No:	No:
\$1 to \$9 999	-	-
\$20 000 to \$29 999	-	-
\$30 000 to \$39 999	6	6
\$70 000 to \$79 999	1	1
Total number of governing board members	7	7

Total remuneration received and receivable by all governing board members for the period they held office was \$0.310 million (2016: \$0.297 million) which includes superannuation contributions.

In accordance with the Department of the Premier and Cabinet Circular No. 016, SA Government employees did not receive any remuneration for governing board duties during the financial year.

Note 11 (b) Remuneration of committee members

Renewal SA has not paid additional remuneration to committee members for their role on committees for the financial year ending 30 June 2017 and 30 June 2016.

Renewal SA has an Audit and Risk Committee that consists of members from the Board of Management, however no members of this committee receive additional remuneration.

In accordance with the Department of the Premier and Cabinet Circular No. 016, SA Government employees did not receive any remuneration for governing board duties during the financial year.

Note 12 Related Party Disclosure

Related parties of Renewal SA include all key management personnel 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

Renewal SA had the following significant transactions with South Australian Government entities:

The purchase of a portfolio of TAFE properties from the Department of State Development for \$595 million (GST exclusive). Refer to notes 20 and 25.

The sale of land at Dry Creek to the Department of Planning, Transport and Infrastructure for \$13.2 million (GST exclusive).

The sale of land at Techport to Defence SA for \$3.65 million (GST exclusive).

Quantitative information about transactions and balances between Renewal SA and other SA Government entities are disclosed at Note 38.

Transactions with Key Management Personnel and other related parties

There were no reportable transactions between Renewal SA and any Key Management Personnel and other related parties during the financial year.

Note 13 Operating Expenditure

	2017	2016
	\$'000	\$'000
Property expenditure	14 212	15 563
Land tax	19 548	20 648
Contractors and consultants	1 342	3 312
Accommodation costs	1 389	1 387
Administration and other expenditure	12 221	11 605
Gross supplies and service expenditure	48 712	52 515
Less: Land tax capitalised to inventories	(3 392)	(3 870)
Total Operating Expenditure	45 320	48 645

External Consultants

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

	2017	2017	2016	2016
	Number	\$'000	Number	\$'000
Below \$10 000	37	119	43	185
Above \$10 000	15	429	19	588
Total paid/payable to the consultants engaged	52	548	62	773

Note 14 Borrowing Costs

	2017	2016
	\$'000	\$'000
Borrowing costs on Premises SA Scheme loans	725	813
Borrowing costs on other loans	17 837	13 475
Borrowing costs on overdraft	586	126
Guarantee fees on Premises SA Scheme loans	284	394
Guarantee fees on other loans	9 999	7 932
Guarantee fees on overdraft	481	83
Gross borrowing costs	29 912	22 823
Less: Borrowing costs capitalised to inventories	(1 910)	(6 410)
Total Finance Costs	28 002	16 413

Renewal SA does not capitalise borrowing costs unless they are directly attributable to the acquisition, construction or production of a qualifying asset and are expected to result in a future economic benefit.

Note 15 Auditors Remuneration

	2017	2016
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department relating to the financial statements audit	212	207
Total Audit Fees	212	207

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

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of administration and other expenditure (refer note 13).

Note 16 Income Tax Equivalent

In accordance with Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*, Renewal SA is required to pay to the SA Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate (presently 30.0%) be applied to the profit for the reporting period.

Renewal SA reported a financial loss for the years ended 30 June 2017 and 2016, therefore no income tax equivalent is payable in either reporting periods.

Note 17 Dividends paid to SA Government

	2017	2016
	\$'000	\$'000
Dividends	2 059	7 199
Total Dividends paid to SA Government	2 059	7 199

Pursuant to the *Urban Renewal Act 1995*, Renewal SA must make a recommendation to the Minister before the end of each year regarding the payment of a dividend for that financial year. Due to the financial loss for the years ended 30 June 2017 and 2016, Renewal SA did not pay an annual dividend for either reporting period related to its overall activities.

Renewal SA is required to make special dividend payments associated with the Adelaide Station and Environs Redevelopment (ASER) site. In 2016-17 the Minister approved a dividend payment of \$2.059 million in relation to the year ended 30 June 2017. In 2015-16 the Minister approved a dividend payment for the ASER site of \$7.199 million in relation to the 2015-16 and two prior financial years.

Note 18 Receivables

	2017	2016
	\$'000	\$'000
Current		
Trade and other receivables	6 328	9 391
Operating lease receivables	4 418	5 428
Employee related services recoverable	1 404	1 714
Provision for doubtful debts	(3 469)	(2 674)
Prepayments	4 464	628
Total Current Receivables	13 145	14 487
Non-Current		
Operating lease receivables	4 035	4 190
Employee related services recoverable	2 469	2 417
Total Non-Current Receivables	6 504	6 607
Total Receivables	19 649	21 094

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in Note 13 for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2017	2016
	\$'000	\$'000
Carrying amount at the beginning of the period	2 674	2 931
Increase in the allowance	795	376
Decrease in the allowance	-	(633)
Carrying amount at the end of the period	3 469	2 674
<i>Bad debts written off:</i>		
Trade debtors	56	669
<i>Transfer to provision for doubtful debts:</i>		
Trade debtors	795	(257)
Total bad and doubtful debts expense	851	412

Interest rate and credit risk

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

Categorisation and maturity analysis of financial instruments

Refer to table in Note 36

Ageing analysis of financial assets

Refer to table in Note 36

Risk exposure information:

Refer to table in Note 36

Note 19 Inventories

	2017	2016
	\$'000	\$'000
Current		
Land held for sale	26 386	33 533
Development projects	40 118	38 731
Total Current Inventories	66 504	72 264
Non-Current		
Land held for sale	182 568	190 396
Development projects	65 086	43 565
Total Non-Current Inventories	247 654	233 961
Total Inventories	314 158	306 225
Movements in carrying amounts:	2017	2016
	\$'000	\$'000
Carrying amount at the beginning of the period	306 225	420 395
Land purchases	722	21 505
Development costs capitalised	53 298	52 353
Community service obligations for development costs	(6 654)	(21 211)
Cost of sales	(36 935)	(28 869)
Transfer to Investments (see Note 20)	-	(739)
Inventory write down	(17 900)	(137 209)
Reversal of inventories write down	15 402	-
Carrying amount at the end of the period	314 158	306 225

Inventories were reviewed at 30 June 2017 to ensure they are carried at the lower of cost and net realisable value (NRV).

In 2016, Renewal SA reassessed its delivery plans for several major projects to take into account the prevailing challenging market conditions and the extent to which these conditions were expected to continue into the future. This review resulted in a reduction of future expected revenues from these projects. In response, Renewal SA modified its delivery plans in some projects to ensure future capital and operational expenditures were contained within expected revenues. While this strategy is anticipated to result in a positive net cash flow in future years, it is insufficient to fully recover past carrying value for a number of projects.

As a result of this review, inventory was written down by \$137.209 million in 2015-16.

The write-downs of \$17.899 million and reversal of previous write downs of \$15.402 million in 2016-17 are as a result of the annual review of the recoverable values of inventory and future cash flows of projects.

Note 20 Investment properties

	2017	2016
	\$'000	\$'000
Freehold land at fair value:		
Independent valuation	198 099	73 554
Total Freehold land at fair value	198 099	73 554

Buildings at fair value:		
Independent valuation	521 406	73 026
Total Buildings at fair value	521 406	73 026
Total Investment Properties	719 505	146 580

	2017	2016
	\$'000	\$'000
Movements in carrying amounts		
<i>Freehold land at fair value:</i>		
Carrying amount at the beginning of the period	73 554	76 067
Transfer from Inventory (see Note 19)	-	739
Transfer from Buildings	293	-
Additions	137 750	-
Disposals	(6 479)	-
Net loss on fair value adjustments	(7 019)	(3 252)
Carrying amount at the end of the period	198 099	73 554

<i>Buildings at fair value:</i>		
Carrying amount at the beginning of the period	73 026	58 936
Additions	481 534	11
Transfer to freehold land	(293)	-
Transfer from Work in Progress (see Note 22)	-	16 408
Disposals	(21 634)	-
Net loss on fair value adjustments	(11 227)	(2 329)
Carrying amount at the end of the period	521 406	73 026
Total carrying amount at the end of the period	719 505	146 580

Amounts Recognised in the Statement of Comprehensive Income		
Property Income (refer to note 7)	31 386	13 578
Direct operating expenses arising from investment properties that generated rental income (refer note 13)	(4 583)	(4 731)
Direct operating expenses arising from investment properties that did not generate rental income (refer note 13)	(48)	(61)
Total amount recognised in the Statement of Comprehensive Income	26 755	8 786

Valuation Basis

An independent valuation of all Renewal SA's investment properties was conducted as at 30 June 2017. Valuations of all investment properties were undertaken by qualified Certified Practicing Valuers with extensive experience in the local market with equivalent properties. Valuations were carried out in accordance with the relevant provisions of the *Australian Property Institute of Australia and New Zealand's Valuation and Property Standards* and as per *AASB 140 Investment Property*. The valuer arrived at fair value using either the direct comparison or capitalisation of net income approach.

Purchase of TAFE properties

Additions to investment properties comprised the acquisition of a portfolio of TAFE SA properties from the Department of State Development (DSD) for \$595 million (GST exclusive). The purchase price was based on an independent market valuation. Stamp duty of \$24 million was also payable on the purchase.

Note 21 Property, Plant and Equipment

	2017	2016
	\$'000	\$'000
Leasehold Improvements		
At cost (deemed fair value)	3 162	3 162
Accumulated amortisation	(1 770)	(1 433)
Total Leasehold Improvements	1 392	1 729
Plant and Equipment		
At cost (deemed fair value)	969	1 137
Accumulated depreciation	(300)	(450)
Total Plant and Equipment	669	687
Total property, plant and equipment at cost (deemed fair value)	4 131	4 299
Total accumulated depreciation	(2 070)	(1 883)
Total Property, Plant and Equipment	2 061	2 416

Carrying amount of Leasehold Improvements and Plant and Equipment

The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3, of the fair value hierarchy, as there has been no subsequent adjustments to their value, except for management assumptions about the assets' condition and remaining useful life.

Plant and equipment includes \$0.164 million (2016: \$0.100 million) of fully depreciated assets still in use.

Impairment

There were no indications of impairment of Leasehold Improvements or Plant and Equipment as at 30 June 2017.

Movements in carrying amounts	2017	2016
	\$'000	\$'000
<i>Leasehold Improvements:</i>		
Carrying amount at the beginning of the period	1 729	2 066
Additions	-	-
Amortisation	(337)	(337)
Carrying amount at the end of the period	1 392	1 729
<i>Plant and Equipment:</i>		
Carrying amount at the beginning of the period	687	850
Additions	357	24
Transfers from work in progress (see Note 22)	94	-
Disposals	(333)	(33)
Depreciation	(136)	(154)
Carrying amount at the end of the period	669	687
Total Property, Plant and Equipment	2 061	2 416

Note 22 Work in Progress

	2017 \$'000	2016 \$'000
Construction projects in progress	-	94
Total Work in Progress	-	94

	2017 \$'000	2016 \$'000
Movements in carrying amounts:		
Carrying amount at the beginning of the period	94	1 084
Development costs capitalised	-	15 418
Transfers to Investment Properties (see Note 20)	-	(16 408)
Transfers to Property Plant and Equipment (see Note 21)	(94)	-
Carrying amount at the end of the period	-	94

Note 23 Fair Value Measurement

Fair Value Hierarchy

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

	2017 \$'000	Level 2 \$'000	Level 3 \$'000
Fair Value Measurements at 30 June 2017			
Recurring fair value measurement			
Investment properties (Note 20)	719 505	719 505	-
Leasehold improvements (Note 21)	1 392	-	1 392
Plant and equipment (Note 21)	669	-	669
Total recurring fair value measurements	721 566	719 505	2 061
Fair Value Measurements at 30 June 2016			
Recurring fair value measurement			
Investment properties (Note 20)	146 580	146 580	-
Leasehold improvements (Note 21)	1 729	-	1 729
Plant and equipment (Note 21)	687	-	687
Total recurring fair value measurements	148 996	146 580	2 416

Renewal SA's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. During 2016 and 2017, Renewal SA had no valuations categorised into level 1 and there were no transfers of assets between level 1 and 2 fair value hierarchy levels during the financial year.

Valuation techniques and inputs

Refer to notes 20 and 21 for valuation techniques and inputs used to derive level 2 and 3 fair values. During 2016 and 2017 there were no changes in valuation techniques during the financial year. Although unobservable inputs were used in determining fair value, and are subjective, Renewal SA considers that the overall valuation would not be materially affected by changes to the existing assumptions. The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3).

Reconciliation of Level 3 recurring fair value measurements as at 30 June 2017

	Leasehold Improvements	Plant & Equipment
	\$'000	\$'000
Opening balance at the beginning of the period	1 729	687
Acquisitions	-	357
Transfers from work in progress (see Note 22)	-	94
Disposals	-	(333)
Total gains (losses) for the period recognised in net result:		
Depreciation and Amortisation expenses	(337)	(136)
Carrying amount at the end of the period	1 392	669

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

	Leasehold Improvements	Plant & Equipment
	\$'000	\$'000
Opening balance at the beginning of the period	2 066	850
Acquisitions	-	24
Disposals	-	(33)
Total gains (losses) for the period recognised in net result:		
Depreciation and Amortisation expenses	(337)	(154)
Carrying amount at the end of the period	1 729	687

Note 24 Payables

	2017	2016
	\$'000	\$'000
Current		
Trade creditors	6 517	7 090
Sundry creditors and accrued expenses	11 311	5 861
GST Payable	2 174	1 937
Parental Leave Scheme	3	2
Employment on costs	755	627
Total Current Payables	20 760	15 517
Non-Current		
Employment on costs	545	554
Total Non-Current Payables	545	554
Total Payables	21 305	16 071

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave remained at the 2016 rate of 40% and the average factor for the calculation of employer superannuation costs on-cost has 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 change in the current financial year is an increase in the employment on-cost and employee benefits expense of \$0.222 million.

Interest rate and credit risk

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

Categorisation of financial instruments and maturity analysis of payables:

Refer to table in Note 36.

Risk exposure information:

Refer to table in Note 36.

Note 25 Borrowings

	2017	2016
	\$'000	\$'000
Current		
Loans - South Australian Government Financing Authority (a)	580	12 744
Loans - South Australian Government Financing Authority (b)	160 700	103 150
Total Current Borrowings	161 280	115 894
Non-Current		
Loans - South Australian Government Financing Authority (a)	7 020	7 599
Loans - South Australian Government Financing Authority (b)	742 601	395 151
Total Non-Current Borrowings	749 621	402 750
Total Borrowings	910 901	518 644

(a) Comprises borrowings from the South Australian Government Financing Authority (SAFA) in respect of funding for industrial and commercial construction projects under the Premises SA Scheme.

(b) Comprises borrowings from SAFA in respect of other activities of Renewal SA.

Borrowings are recognised at cost and have fixed maturity dates. The interest rate is determined by the Treasurer. The average rate of interest capitalised in the reporting period was 4.37% in 2017 (4.32% in 2016).

On 1 March 2017 Renewal SA purchased a portfolio of TAFE SA assets from the Department of State Development for \$595 million (GST exclusive). Stamp duty of \$24 million was payable on the purchase. New borrowings of \$400 million were undertaken to partly fund the purchase.

Categorisation of financial instruments and maturity analysis of borrowings:

Refer to table in Note 36.

Risk exposure information:

Refer to Note 36.

Defaults and breaches

There were no defaults or breaches on any of the above borrowings during the year.

Note 26 Tax Liabilities

In accordance with Treasurer's Instructions issued under the Public Finance and Audit Act 1987, Renewal SA is required to pay to the SA Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate (presently 30.0%) be applied to the profit for the reporting period.

Renewal SA made a financial loss for the years ended 30 June 2017 and 2016, therefore no income tax equivalent is payable in either reporting periods.

Note 27 Unearned Income

	2017	2016
	\$'000	\$'000
Current		
Unearned Income	6 149	3 121
Total Current Unearned Income	6 149	3 121
Non-Current		
Unearned Income	4 846	5 877
Total Non-Current Unearned Income	4 846	5 877
Total Unearned Income	10 995	8 998

Includes rental income of \$10.964 million (2016: \$7.419 million) and revenues from Commonwealth and SA Government of \$0.031 million (2016: \$1.579 million) received in advance.

Note 28 Provisions

	2017	2016
	\$'000	\$'000
Current		
Provision for land acquisition costs	-	20 525
Provision for workers compensation	125	132
Total Current Provisions	125	20 657
Non-Current		
Provision for workers compensation	235	251
Total Non-Current Provisions	235	251
Total Provisions	360	20 908

Movements in carrying amounts	2017	2016
	\$'000	\$'000
<i>Provision for workers compensation</i>		
Carrying amount at the beginning of the period	383	202
Additional provisions recognised	138	296
Reductions arising from payments	(161)	(115)
Carrying amount at the end of the period	360	383
<i>Provision for land acquisition costs</i>		
Carrying amount at the beginning of the period	20 525	-
Additional provisions recognised	(20 525)	20 525
Carrying amount at the end of the period	-	20 525
Total Provisions	360	20 908

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on actuarial assessment performed by the Office for the Public Sector (a division of the Department of Premier and Cabinet).

Note 29 Employee Benefits

	2017	2016
	\$'000	\$'000
Current		
Accrued wages and salaries	603	456
Annual leave	2 859	2 546
Long service leave	935	1 294
Skills and experience retention leave	119	130
Total Current Employee Benefits	4 516	4 426
Non-Current		
Long service leave	5 917	5 999
Total Non-Current Employee Benefits	5 917	5 999
Total Employee Benefits	10 433	10 425

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%) 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 actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$0.189 million and employee benefits expense of \$0.291 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 liability and 3% annual leave and skills, experience and retention leave liability.

Note 30 Other Liabilities

	2017	2016
	\$'000	\$'000
Current		
Funds held in trust	302	298
Security Deposits	-	182
Total Current Other Liabilities	302	480
Total Other Liabilities	302	480

These funds are being held in trust on behalf of the Minister for Housing and Urban Development. The funds are to be disbursed by Renewal SA to the developer of the land formerly occupied by the Cheltenham racecourse upon achievement of key deliverables related to affordable housing and the development of open spaces.

Note 31 Unrecognised Contractual Commitments - Operating Leases

Operating lease receivables:

Future minimum rental revenues under non-cancellable operating property leases held at balance date but not provided for in the accounts:	2017	2016
	\$'000	\$'000
Due within one year	62 113	9 391
Due later than one year not longer than five years	254 688	30 806
Due later than five years	619 377	47 707
Total operating lease receivables	936 178	87 904

The amounts for 2017 include property leases relating to the purchase of TAFE assets. See note 20.

Operating lease payables:

Non-cancellable operating leases contracted for at balance date but not provided for in the accounts:	2017	2016
	\$'000	\$'000
Payable within one year	1 340	1 299
Payable later than one year not longer than five years	3 229	4 490
Payable later than five years	-	-
Total operating lease payables	4 569	5 789

These amounts comprise property leases and leases for motor vehicles. The property leases are non-cancellable and will expire on 31 December 2020, with rent payable monthly in advance. Motor vehicles are leased over varying terms up to three years.

Note 32 Unrecognised Contractual Commitments - Capital Expenditure

Capital expenditure commitments:

At reporting date Renewal SA had capital expenditure commitments contracted for but not recognised as liabilities in the financial report, as follows:

Total capital expenditure commitments:

	2017	2016
	\$'000	\$'000
Payable within one year	11 443	27 226
Payable later than one year not longer than five years	11 324	9 506
Payable later than five years	1 166	4 839
Total capital expenditure commitments:	23 933	41 571

Note 33 Contingent Liabilities

Commonwealth Grant Funding

The South Australian Housing Trust received \$9.5 million grant funding from the Commonwealth government as part of an affordable housing scheme for properties developed under the Woodville West project. This project was transferred to Renewal SA in 2011-12. The South Australian Housing Trust applied \$5.098 million of this funding prior to the transfer to Renewal SA and in 2015-16 passed \$4.402 million onto Renewal SA. Renewal SA is in discussions with the Commonwealth to confirm the formal acquittal of these funds, the outcome of which may require part or all of the funds to be returned. At balance date Renewal SA has recognised \$4.402 million of this funding as a payable. The payment of this and a further amount of \$5.098 million is contingent on the outcome of the discussions which include the consideration of proposals which may not involve the repayment of these funds.

Note 34 Cash Flow Reconciliation

	2017	2016
	\$'000	\$'000
Reconciliation of cash and cash equivalents at the end of the reporting period:		
Statement of Cash Flows	11 144	117 307
Statement of Financial Position	11 144	117 307
Reconciliation of profit/(loss) after income tax equivalent to net cash provided by/(used in) operating activities:		
Profit/(loss) after income tax equivalent	(18 927)	(153 152)
	(18 927)	(153 152)
Add/Less non cash items		
Inventories write down	17 899	137 209
Net gain from administrative restructure	548	637
Depreciation and amortisation	473	491
Net loss on disposal of plant and equipment	333	33
Provision for doubtful debts	795	(257)
Transfers to investment properties	-	(739)
Share of net profits of joint ventures	(3 002)	(3 198)
Provision adjustment	(20 387)	20 821
Net gain on disposal of investment property	(1 652)	-
Reversal of inventories write-down	(15 402)	-
Investment property net loss on fair value adjustments	18 246	5 581
	(2 149)	160 578
Changes in Assets / Liabilities		
(Increase)/Decrease in other receivables	4 486	3 129
(Increase)/Decrease in prepayments	(3 836)	(356)
(Increase)/Decrease in inventories	(10 978)	(23 676)
(Increase)/Decrease in investment properties	55 892	-
Increase/(Decrease) in payables	5 234	(138)
Increase/(Decrease) in unearned income	1 997	(4 163)
Increase/(Decrease) in provisions	(161)	(115)
Increase/(Decrease) in employee benefits	8	627
Increase/(Decrease) in other liabilities	(178)	187
	52 464	(24 505)
Net cash provided by/(used in) Operating Activities	31 388	(17 079)

Note 35 Cash and Cash Equivalents

	2017	2016
	\$'000	\$'000
Current		
Deposits with the Treasurer	8 524	114 952
Short-term deposits with SAFA	335	172
Cash held in Cheltenham trust account	302	298
Cash at bank and on hand	1 983	1 885
Total Cash and Cash Equivalents	11 144	117 307

Deposits with the Treasurer

Includes funds held in Renewal SA's operating account.

Short-term deposits

Short-term deposits are made for varying periods of between one day and three months. These deposits are lodged with SAFA and earn the respective short-term deposit rates.

Cash at bank and on hand

Cash at bank and on hand include petty cash and cash received from property managers for net rental income on Renewal SA properties.

Interest rate risk

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

Note 36 Financial Instruments Disclosure/Financial Risk Management

36.1 Financial risk management

Renewal SA's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*.

Renewal SA is exposed to financial risk - liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

36.2 Categorisation of financial instruments

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

Refer to note 36.3 for the carrying amounts of each of the following categories of financial assets and liabilities: loan and receivables; financial liabilities measured at cost; and held-to-maturity investments.

Renewal SA does not recognise any financial assets or financial liabilities at fair value but does disclose fair value in the notes.

All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable. Refer to Note 2.10 for information on Renewal SA's fair value measurement hierarchy.

- the carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to their short-term nature (refer notes 2, 18 and 24).
- borrowings are recognised at historical cost, plus any transaction costs directly attributable to the borrowings. The fair value of borrowings approximates the carrying amount, as the impact of discounting is not significant (refer notes 2 and 25).

36.3 Categorisation and maturity analysis of financial assets and liabilities

		Carrying Amount \$'000	2017 Contractual Maturities			Fair Value \$'000
	Note		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	
2017						
Financial assets:						
Cash and cash equivalents	35	11 144	11 144	-	-	11 144
Loans and receivables:						
Receivables (a) (b)	18	15 663	11 628	4 035	-	15 164
Allowance for doubtful debts	18	(3 469)	(3 469)	-	-	(3 469)
Total Financial assets		23 338	19 303	4 035	-	22 839
Financial liabilities:						
Financial liabilities at cost:						
Payables (a)	24	17 640	17 640	-	-	17 640
Borrowings	25	910 901	161 281	399 620	350 000	757 202
Total Financial liabilities		928 541	178 921	399 620	350 000	774 842
Net Financial Assets/(Liabilities)		(905 203)	(159 618)	(395 585)	(350 000)	(752 003)

		Carrying Amount \$'000	2016 Contractual Maturities			Fair Value \$'000
	Note		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	
2016						
Financial assets:						
Cash and cash equivalents	35	117 307	117 307	-	-	117 307
Loans and receivables:						
Receivables (a) (b)	18	19 008	14 818	651	3 539	18 485
Allowance for doubtful debts	18	(2 674)	(2 674)	-	-	(2 674)
Total Financial assets		133 641	129 451	651	3 539	133 118
Financial liabilities:						
Financial liabilities at cost:						
Payables (a)	24	12 743	12 743	-	-	12 743
Borrowings	25	518 644	115 894	402 750	-	500 703
Total Financial liabilities		531 387	128 637	402 750	-	513 446
Net Financial Assets/(Liabilities)		(397 746)	814	(402 099)	3 539	(380 328)

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

(b) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 18 as receivables in accordance with paragraph 78(b) of AASB 101 *Presentation of Financial Statements*. However, prepayments are not financial assets as defined in AASB 132 *Financial Instruments: Presentation* as the future economic benefits of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

36.4 Liquidity risk

Liquidity risk arises from the possibility that Renewal SA is unable to meet its financial obligations as they fall due. Renewal SA settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in the table of Note 36.3 represents Renewal SA's maximum exposure to financial liabilities.

36.5 Credit risk

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

The carrying amount of financial assets as detailed in note 36.3 represents Renewal SA's maximum exposure to credit risk.

Renewal SA manages its credit risk and has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. Renewal SA does not engage in high risk hedging for its financial assets. No collateral is held as security and no credit enhancements relate to financial assets held by Renewal SA.

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

36.6 Ageing analysis of receivables

The following table discloses the ageing of financial assets, past due, including impaired assets past due:

	Overdue < 30 Days \$'000	Overdue 30 - 60 Days \$'000	Overdue > 60 Days \$'000	Carrying Amount \$'000
2017				
Not impaired:				
Receivables	121	311	424	856
Impaired:				
Receivables	66	83	3 254	3 403
Receivables at 30 June 2017	187	394	3 678	4 259
2016				
Not impaired:				
Receivables	430	756	1 089	2 275
Impaired:				
Receivables	-	33	2 604	2 637
Receivables at 30 June 2016	430	789	3 693	4 912

36.7 Market risk

Market risk for Renewal SA is primarily through price risk. Prices for residential, industrial and commercial property have been depressed as a consequence of slow market conditions within the local South Australian and Adelaide markets. Renewal SA also has exposure to interest rate risk arising through its borrowings. Renewal SA's borrowings are managed through SAFA and any movement in interest rates are monitored regularly. There is no exposure to foreign currency risks.

36.8 Sensitivity analysis

A sensitivity analysis has been undertaken for the interest rate risk of Renewal SA and it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial over a 5 year period. The impact of property price movements on the financial results is impractical to estimate as the analysis would be overly assumptive.

Note 37 Transferred Functions

Transfer of assets from the South Australian Housing Trust

Pursuant to the provisions of section 23 of the *South Australian Housing Trust Act 1995*, the Minister for Housing and Urban Development, with the concurrence of the Treasurer, gazetted on 25 August 2016 and 28 April 2016 the transfer of assets from the South Australian Housing Trust to Renewal SA.

Renewal SA recognised the following income upon the transfer of these assets from the South Australian Housing Trust:	2017	2016
	\$'000	\$'000
Net gain from transferred functions	548	637
Net Result	548	637

Renewal SA recognised the assets transferred from the South Australian Housing Trust in the Statements of Financial Position as follows:	2017	2016
	\$'000	\$'000
Inventories	548	637
Total Assets Transferred	548	637

Note 38 Transactions with SA Government

	SA Government		Non-SA Government		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INCOME						
Revenue from sales	21 465	6 484	49 016	51 127	70 481	57 611
Less: cost of sales	(6 230)	(2 202)	(30 705)	(26 667)	(36 935)	(28 869)
Gross profit	15 235	4 282	18 311	24 460	33 546	28 742
Share of net profit/(loss) in joint ventures	-	-	3 002	3 198	3 002	3 198
Revenues from Commonwealth and SA Government	6 750	9 403	-	-	6 750	9 403
Interest revenues	1 464	382	1	553	1 465	935
Property income	24 843	8 415	17 670	17 497	42 513	25 912
Other revenues	16 380	15 660	1 341	2 304	17 721	17 964
Net gain from administrative restructures	548	637	-	-	548	637
Net gain from disposals of assets	-	-	1 319	-	1 319	-
TOTAL INCOME	65 220	38 779	41 644	48 012	106 864	86 791
EXPENSES						
Employee benefits expenses	1 748	1 447	29 504	30 124	31 252	31 571
Operating expenditure	28 697	23 765	16 623	24 880	45 320	48 645
Borrowing costs	28 002	16 413	-	-	28 002	16 413
Depreciation and amortisation	-	-	473	491	473	491
Impairment loss	-	-	20 744	142 790	20 744	142 790
Net loss from disposals	-	-	-	33	-	33
TOTAL EXPENSES	58 447	41 625	67 344	198 318	125 791	239 943

FINANCIAL ASSETS

Receivables	6 905	7 331	8 758	11 677	15 663	19 008
Allowance for doubtful debts	-	-	(3 469)	(2 674)	(3 469)	(2 674)
TOTAL FINANCIAL ASSETS	6 905	7 331	5 289	9 003	12 194	16 334

FINANCIAL LIABILITIES

Payables	5 824	2 346	11 816	10 397	17 640	12 743
Borrowings	910 901	518 644	-	-	910 901	518 644
TOTAL FINANCIAL LIABILITIES	916 725	520 990	11 816	10 397	928 541	531 387

Note 39 Events after the Reporting Period

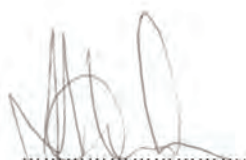
Parcels of land relating to the Old Royal Adelaide Hospital site will transfer to the Urban Renewal Authority during the 2017-18 financial year. The ongoing financial impact on the Urban Renewal Authority is yet to be finalised.

CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the:

- Attached general purpose financial statements for the Urban Renewal Authority (trading as Renewal SA):
 - are in accordance with the accounts and records of the Urban Renewal Authority; and
 - comply with relevant Treasurer's Instructions; and
 - comply with relevant Australian Accounting Standards; and
 - present a true and fair view of the financial position of the Urban Renewal Authority as at 30 June 2017 and the results of its operations and cash flows for the financial year.
- Internal controls employed by the Urban Renewal Authority for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the financial year and there are reasonable grounds to believe the Urban Renewal Authority will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Urban Renewal Authority Audit and Risk Committee.



J.F. HANLON
CHIEF EXECUTIVE

13 September 2017



D DE LUCA
GENERAL MANAGER,
CORPORATE SERVICES

13 September 2017



HON B J PIKE
PRESIDING MEMBER

13 September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Presiding Member Urban Renewal Authority

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 27(1)(4) of the *Urban Renewal Act 1995*, I have audited the financial report of the Urban Renewal 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 Urban Renewal 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 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, the Chief Executive and the General Manager Corporate Services.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Urban Renewal 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 Chief Executive and the 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 and members of the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

20 September 2017

Women's and Children's
Health Network Incorporated

Financial report
for the year ended
30 June 2017

WOMEN'S AND CHILDREN'S HEALTH NETWORK
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Staff benefit expenses	4	322,991	326,807
Supplies and services	5	107,346	103,836
Depreciation and amortisation expense	6	7,608	7,521
Grants and subsidies	7	146	63
Net loss from disposal of non-current and other assets	13	38	156
Other expenses	8	1,517	693
Total expenses		439,646	439,076
Income			
Revenue from fees and charges	9	35,649	35,192
Grants and contributions	10	7,216	7,115
Interest revenue	11	213	263
Resources received free of charge	12	919	1,435
Gain on revaluation of investment property	22	2,043	102
Other revenue	14	6,011	5,411
Total income		52,051	49,518
Net cost of providing services		387,595	389,558
Revenue from SA Government			
Revenue from SA Government	15	383,755	377,279
Total revenue from SA Government		383,755	377,279
Net result		(3,840)	(12,279)
Other comprehensive income			
Items that will be reclassified subsequently to net result when specific conditions are met			
Gains or losses recognised directly in equity		49	(5)
Total other comprehensive income		49	(5)
Total comprehensive result		(3,791)	(12,284)

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

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

WOMEN'S AND CHILDREN'S HEALTH NETWORK
STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	2017	2016
		\$ '000	\$ '000
Current assets			
Cash and cash equivalents	17	16,641	23,464
Receivables	18	8,905	8,098
Inventories	20	783	754
Total current assets		26,329	32,316
Non-current assets			
Receivables	18	965	951
Other financial assets	19	1,226	1,176
Property, plant and equipment	21	237,018	237,829
Investment property	22	16,897	14,854
Intangible assets	23	36	57
Total non-current assets		256,142	254,867
Total assets		282,471	287,183
Current liabilities			
Payables	25	11,306	15,220
Staff benefits	26	43,172	40,373
Provisions	27	2,411	2,213
Other liabilities	28	167	291
Total current liabilities		57,056	58,097
Non-current liabilities			
Payables	25	2,425	2,701
Staff benefits	26	52,129	52,854
Provisions	27	4,224	3,103
Total non-current liabilities		58,778	58,658
Total liabilities		115,834	116,755
Net assets		166,637	170,428
Equity			
Asset revaluation surplus		86,391	86,391
Other reserves		413	364
Retained earnings		79,833	83,673
Total equity		166,637	170,428

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments 29

Contingent assets and liabilities 32

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

WOMEN'S AND CHILDREN'S HEALTH NETWORK
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2017

	Note	Asset revaluation surplus \$ '000	Other reserves \$ '000	Retained earnings \$ '000	Total equity \$ '000
Balance at 30 June 2015		86,391	369	96,674	183,434
Net result for 2015-16		-	-	(12,279)	(12,279)
Gain/(loss) on revaluation of assets held for sale		-	(5)	-	(5)
Total comprehensive result for 2015-16		-	(5)	(12,279)	(12,284)
Transactions with SA Government as owner					
Net assets received from an administrative restructure	31	-	-	(722)	(722)
Balance at 30 June 2016		86,391	364	83,673	170,428
Restated balance at 30 June 2016		86,391	364	83,673	170,428
Net result for 2016-17		-	-	(3,840)	(3,840)
Gain/(loss) on revaluation of assets held for sale		-	49	-	49
Total comprehensive result for 2016-17		-	49	(3,840)	(3,791)
Balance at 30 June 2017		86,391	413	79,833	166,637

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

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

WOMEN'S AND CHILDREN'S HEALTH NETWORK
STATEMENT OF CASH FLOWS
For the year ended 30 June 2017

	Note	2017 \$ '000	2016 \$ '000
Cash flows from operating activities			
Cash outflows			
Staff benefit payments		(324,893)	(314,038)
Payments for supplies and services		(112,601)	(112,134)
Payments of grants and subsidies		(148)	(65)
Payments for paid parental leave scheme		(1,384)	(1,561)
Other payments		(1,570)	(514)
Cash used in operations		(440,596)	(428,312)
Cash inflows			
Fees and charges		35,500	35,163
Grants and contributions		7,558	7,637
Interest received		213	263
GST recovered		5,344	5,227
Receipts for paid parental leave scheme		1,397	1,522
Other receipts		6,402	5,663
Cash generated from operations		56,414	55,475
Cash flows from SA Government			
Receipts from SA Government		383,687	376,786
Cash generated from SA Government		383,687	376,786
Net cash provided by / (used in) operating activities		(495)	3,949
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(6,328)	(3,650)
Cash used in investing activities		(6,328)	(3,650)
Cash inflows			
Proceeds from sale of property, plant and equipment		-	22
Cash generated from investing activities		-	22
Net cash provided by/(used in) investing activities		(6,328)	(3,628)
Net increase/(decrease) in cash and cash equivalents		(6,823)	321
Cash and cash equivalents at the beginning of the period		23,464	23,143
Cash and cash equivalents at the end of the period	33	16,641	23,464
Non-cash transactions	33		

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

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

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

The Women's and Children's Health Network Incorporated (the Hospital) is committed to a health system that produces positive health outcomes by focusing on health promotion, illness prevention, early intervention and achieving equitable health outcomes for all South Australians.

The Hospital is part of the SA Health portfolio providing health services for women, youth and children across South Australia and is responsible to the Minister for Health, Minister for Mental Health and Substance Abuse and the Minister for Ageing.

The Hospital is structured to contribute to the outcomes for which the portfolio is responsible by providing hospital, mental and community health services for children, youth and women across the State.

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

The Women's and Children's Health Network Advisory Council Incorporated was established pursuant to the *Health Care Act 2008*. The Council's functions include advising, monitoring, providing strategic oversight, conferring and making recommendations to the Chief Executive of the Department and Chief Executive Officer of the Hospital. The Council has no powers to direct or make decisions with respect to the management and administration of the Hospital.

1.1 Reporting entity

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

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

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

The Hospital has administered activities and resources. Transactions and balances relating to administered resources are not recognised as the Hospital's controlled income, expenses, assets and liabilities. As administered items are insignificant in relation to the Hospital's overall financial performance and position, they are disclosed in the Schedule of Administered Financial Statements following the general purpose financial statements.

Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as the Hospital's transactions.

2 Significant accounting policies

2.1 Statement of compliance

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

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

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

2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Hospital's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, that have been included in this financial report:
 - a) revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature;
 - b) expenses incurred as a result of engaging consultants;
 - c) staff targeted voluntary separation package (TVSP) information;

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

- 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

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

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

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

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

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

2.6 Continuity of Operations

As at 30 June 2017, the Hospital had working capital deficiency of \$30.727 million (\$25.781 million deficiency). The SA Government is committed and has consistently demonstrated a commitment to the ongoing funding of the Hospital to enable it to perform its functions.

2.7 Events after the reporting period

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

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

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

2.8 Current and non-current classification

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

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

2.9 Non-current assets

a. Acquisition and recognition of non-current assets

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value after allowing for accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. Where assets are acquired at no or nominal value as part of a restructure of administrative arrangements, the assets are recorded at the value held by the transferor public authority prior to the restructure.

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

b. Depreciation and amortisation of non-current assets

All non-current assets, that have a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

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

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

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

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

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

c. Revaluation of non-current assets

All non-current tangible assets are valued at written down cost (a proxy for fair value).

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

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

Non-current tangible assets that are acquired between revaluations are held at cost, until the next valuation, when they are revalued to fair value.

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

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

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

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

d. Impairment

The Hospital holds its property, plant and equipment and intangible assets for their service potential (value in use). All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any costs of disposal would be negligible, accordingly the recoverable amount will be closer to or greater than fair value. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. The amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets, an impairment loss is offset against the revaluation surplus for that class of assets, to the extent that the impairment loss does not exceed the amount in the respective asset revaluation surplus.

e. Intangible assets

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

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

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

f. Fair value measurement

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

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

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

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

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

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

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

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.

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Long service leave

The liability for LSL was determined through an actuarial assessment undertaken by Mercer Consulting (Australia) Pty Ltd, in accordance with AASB 119 *Employee Benefits*.

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

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

2.11 Equity

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

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

3 New and revised accounting standards and policies

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

Accounting Standards

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

Reference	Title and date of Standard application	Summary	Impact on financial statements	Application date for the Hospital
AASB 15	<i>Revenue from Contracts with Customers</i> 1 January 2019	AASB 15 is the new standard for revenue recognition and replaces AASB 111 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

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

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 the Hospital to record almost all operating leases arrangements on the Statement of Financial Position. There will be significant work for the Hospital to report these assets and liabilities due to the large scale of it's leasing activities. The Hospital has not yet quantified the impact on the Statement of Comprehensive Income or the Statement of Financial Position of applying AASB 16 to its current operating lease arrangements.	1 July 2019
AASB 1058	<i>Income of Not-for-Profit Entities</i> 1 January 2019	This standard clarifies and simplifies the income recognition requirements that apply to not-for-profit entities in conjunction with AASB 15. AASB 15 and 1058 will supersede the majority of income recognition requirements relating to public sector not-for-profit entities, previously in AASB 1004. The timing of income recognition depends on whether a transaction gives rise to a liability or other performance obligation or a contribution by owners related to an asset received by the entity. AASB 1058 applies when a not-for-profit entity receives volunteer services or enters into other transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives.	SA Health is currently assessing the impact of AASB 1058 and has identified there could be a potential impact on the timing of the recognition of grant revenue and disclosures relating to volunteer services, whether recognised or not. At this stage, SA Health is not able to estimate the impact of AASB 1058 on its financial statements. SA Health will make a more detailed assessment of the impact over the next 12 months.	1 July 2019

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

4 Staff benefit expenses

	2017	2016
	\$'000	\$'000
Salaries and wages	261,554	256,249
TVSP (refer below)	-	224
Long service leave (LSL)	5,157	14,515
Annual leave	24,394	24,293
Skills and experience retention leave (SERL)	1,396	1,383
Staff on-costs - superannuation*	26,061	26,551
Workers compensation	3,570	2,597
Board and committee fees	53	48
Other staff related expenses	806	947
Total staff benefit expenses	322,991	326,807

* The superannuation employment on-cost charge represents the Hospital's contribution to superannuation plans in respect of current services of the Hospital's current employees. The Department of Treasury and Finance (DTF) centrally recognises the superannuation liability in the whole-of-government financial statements.

	2017	2016
	\$'000	\$'000
Targeted voluntary separation packages (TVSPs)		
Amount paid during the reporting period to separated staff:		
TVSPs	-	224
Annual leave, LSL and SERL paid to those employees	-	72
Net cost to the Hospital	-	296
Number of staff who received a TVSP during the reporting period	-	5

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Remuneration of staff

The number of staff whose remuneration received or receivable falls within the following bands:	2017 No.	2016 No.
\$145,000 - \$147,000*	na	7
\$147,001 - \$157,000	44	30
\$157,001 - \$167,000	28	19
\$167,001 - \$177,000	12	13
\$177,001 - \$187,000	11	5
\$187,001 - \$197,000	9	7
\$197,001 - \$207,000	9	9
\$207,001 - \$217,000	8	8
\$217,001 - \$227,000	7	5
\$227,001 - \$237,000	5	5
\$237,001 - \$247,000	4	3
\$247,001 - \$257,000	4	6
\$257,001 - \$267,000	6	5
\$267,001 - \$277,000	2	2
\$277,001 - \$287,000	9	5
\$287,001 - \$297,000	2	4
\$297,001 - \$307,000	8	2
\$307,001 - \$317,000	1	3
\$317,001 - \$327,000	2	3
\$327,001 - \$337,000	3	4
\$337,001 - \$347,000	4	6
\$347,001 - \$357,000	6	2
\$357,001 - \$367,000	3	4
\$367,001 - \$377,000	6	4
\$377,001 - \$387,000	5	4
\$387,001 - \$397,000	6	10
\$397,001 - \$407,000	6	5
\$407,001 - \$417,000	1	3
\$417,001 - \$427,000	3	3
\$427,001 - \$437,000	2	3
\$437,001 - \$447,000	3	-
\$447,001 - \$457,000	1	2
\$457,001 - \$467,000	6	1
\$467,001 - \$477,000	1	3
\$477,001 - \$487,000	4	3
\$487,001 - \$497,000	3	2
\$497,001 - \$507,000	1	4
\$507,001 - \$517,000	3	5
\$517,001 - \$527,000	2	3
\$527,001 - \$537,000	4	4
\$537,001 - \$547,000	3	1
\$547,001 - \$557,000	1	2
\$577,001 - \$587,000	-	1
\$587,001 - \$597,000	-	1
\$597,001 - \$607,000	1	-
Total	249	221

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

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Total remuneration received or due and receivable by staff included above:	2017		2016	
	No.	\$'000	No.	\$'000
Medical (excluding Nursing) remuneration	211	60,919	201	59,187
Executive remuneration	6	1,265	6	1,245
Nursing remuneration	24	3,772	9	1,391
Non-medical (i.e. administration) remuneration	8	1,306	5	798
Total	249	67,262	221	62,621

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

5 Supplies and services

	2017	2016
	\$'000	\$'000
Administration	650	590
Advertising	260	198
Communication	1,646	1,608
Computing	4,360	4,240
Contractors	465	651
Contractors - agency staff	8,132	8,673
Consultants	23	9
Contract of services	-	3
Drug supplies	8,987	8,713
Electricity, gas and fuel	3,139	3,171
Fee for service	2,983	3,123
Finance lease contingent rentals	13	-
Food supplies	2,230	2,346
Housekeeping	10,220	10,393
Insurance	5,510	5,342
Internal SA Health SLA payments	2,932	2,585
Legal	143	144
Medical, surgical and laboratory supplies	26,322	21,966
Minor equipment	1,443	1,040
Motor vehicle expenses	2,176	2,339
Occupancy rent and rates	4,590	5,285
Patient transport	1,738	1,509
Payments to Shared Services SA	2,568	2,536
Postage	882	687
Printing and stationery	1,686	1,744
Rental expense on operating lease*	50	178
Repairs and maintenance	4,616	4,383
Security	1,164	1,036
Staff training and development	2,687	2,907
Staff travel expenses	2,348	2,416
Other supplies and services	3,383	4,021
Total supplies and services	107,346	103,836

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

Professional indemnity and general public insurance

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

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

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	1	10	1	9
Above \$10,000	1	13	-	-
Total paid/payable to consultants engaged	2	23	1	9

6 Depreciation and amortisation expense

	2017	2016
	\$'000	\$'000
Buildings and improvements	5,490	5,518
Medical, surgical, dental and biomedical equipment	1,725	1,643
Other plant and equipment	302	264
Leasehold improvements	70	75
Intangible assets	21	21
Total depreciation and amortisation	7,608	7,521

7 Grants and subsidies

	2017	2016
	\$'000	\$'000
Funding to non-government organisations	144	63
Other	2	-
Total grants and subsidies	146	63

The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. Contributions payable will be recognised as a liability and an expense when the Hospital has a present obligation to pay the contribution and the expense recognition criteria are met.

8 Other expenses

	Note	2017	2016
		\$'000	\$'000
Bad and doubtful debts	18	937	(17)
Bank fees and charges		34	23
Donated assets expense		-	215
Other*		546	472
Total other expenses		1,517	693

Donated assets expense includes transfer of property, plant and equipment and intangible assets and is recorded as expenditure at their fair value.

* Audit fees paid or payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$0.152 million (\$0.174 million). No other services were provided by the Auditor-General's Department.

9 Revenue from fees and charges

	2017	2016
	\$'000	\$'000
Interstate patient transfers	-	2
Insurance recoveries	19	12
Patient and client fees	10,582	10,132
Private practice fees	2,403	2,188
Recoveries	16,282	16,220
Sale of goods - medical supplies	261	233
Other user charges and fees	6,102	6,405
Total fees and charges	35,649	35,192

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

10 Grants and contributions

	2017	2016
	\$'000	\$'000
Commonwealth grants and donations	683	545
SA Government Capital contributions	45	-
Other SA Government grants and contributions	4,096	4,120
Private sector capital contributions	174	717
Private sector grants and contributions	2,218	1,733
Total grants and contributions	7,216	7,115

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

The grants received are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Restrictions on contributions received

Of the \$7.216 million (\$7.115 million) received in 2016-17 for grants and contributions, \$0.855 million (\$1.141 million) was provided for specific purposes, such as research and associated activities.

11 Interest revenue

	2017	2016
	\$'000	\$'000
Bank interest	1	2
Interest on Special Purpose Funds (SPF)	212	261
Total interest revenue	213	263

12 Resources received free of charge

	2017	2016
	\$'000	\$'000
Land and buildings	919	216
Plant and equipment	-	1,219
Total resources received free of charge	919	1,435

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
Plant and equipment:		
Proceeds from disposal	-	22
Less net book value of assets disposed	(38)	(178)
Net gain/(loss) from disposal of plant and equipment	(38)	(156)
Total assets:		
Total proceeds from disposal	-	22
Less total value of assets disposed	(38)	(178)
Total net gain/(loss) from disposal of non-current and other assets	(38)	(156)

Gains or losses on disposal are recognised at the date control of the asset is passed from the Hospital and are determined after deducting the cost of the asset from the proceeds at that time. When revalued assets are disposed, the revaluation surplus is transferred to retained earnings.

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

14 Other revenues/income

	2017	2016
	\$'000	\$'000
Commissions revenue	56	54
Dividend revenue	74	60
Royalty income	662	560
Training revenue	172	163
Donations	985	801
Car parking revenue	2,885	2,588
Other	1,177	1,185
Total other revenues	6,011	5,411

15 Revenue from SA Government

	2017	2016
	\$'000	\$'000
Recurrent funding	377,862	374,597
Capital funding	5,893	2,682
Total revenue from Department for Health and Ageing	383,755	377,279

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

16 Unexpended funding commitments

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

	2017	2016
	\$'000	\$'000
National Health and Medical Research Council (NHRMC)	291	344
Total unexpended funding commitments	291	344

17 Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Cash at bank or on hand - non-government financial institutions	754	698
Deposits with Treasurer	15,866	22,730
Imprest account/cash on hand	21	36
Total cash	16,641	23,464

Cash is measured at nominal amounts.

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

Deposits with the Treasurer

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

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

18 Receivables

Current		2017	2016
	Note	\$'000	\$'000
Patient/client fees		134	475
Compensable		4,843	4,424
Other		3,522	1,835
Debtors		493	589
Less: allowance for doubtful debts	18.1	(1,713)	(1,206)
Prepayments		31	15
Dividends receivable		11	-
Grants		238	726
Sundry receivables and accrued revenue		175	120
GST recoverable		1,171	1,120
Workers compensation provision recoverable		8,905	8,098
Total current receivables			
Non-current			
Debtors		30	33
Workers compensation provision recoverable		935	918
Total non-current receivables		965	951
Total receivables		9,870	9,049

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	2016
	\$'000	\$'000
Movements in the allowance for doubtful debts (impairment loss)	1,206	1,677
Carrying amount at the beginning of the period	(218)	(324)
Amounts written off	725	(147)
Increase/(Decrease) in allowance recognised in the Statement of Comprehensive Income	1,713	1,206
Carrying amount at the end of the period		

The Hospital has recognised a bad a doubtful debt expense of \$0.937 million (\$-0.017 million).

Interest rate and credit risk

Receivables arise in the normal course of selling goods and services to other agencies and to the public. The Hospital's trading terms for receivables are generally 30 days, after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Hospital will not be able to collect the debt. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to Note 30 for further information on risk management.

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

19 Other financial assets

	2017	2016
	\$'000	\$'000
Non-current		
Other investments*	1,226	1,176
Total non-current investments	1,226	1,176
Total investments	1,226	1,176

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

Refer to Note 30 for further information on risk management.

20 Inventories

	2017	2016
	\$'000	\$'000
Current - held for distribution		
Materials at cost:		
Inventory imprest stock	783	754
Total current inventories - held for distribution	783	754

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.

21 Property, plant and equipment

	2017	2016
	\$'000	\$'000
Land and buildings		
Land	40,496	40,186
Buildings and improvements	195,625	194,516
Accumulated depreciation - buildings and improvements	(11,466)	(5,976)
Buildings and improvements under construction (work in progress)	3,230	566
Total land, buildings and improvements	227,885	229,292
Leasehold improvements		
Leasehold improvements at fair value	2,775	2,712
Accumulated amortisation	(2,400)	(2,330)
Total leasehold improvements	375	382
Plant and equipment		
Medical, surgical, dental and biomedical equipment at cost (deemed fair value)	18,115	16,959
Accumulated depreciation - medical, surgical, dental and biomedical equipment	(13,008)	(12,081)
Other plant and equipment at cost (deemed fair value)	4,315	4,386
Accumulated depreciation - other plant and equipment	(2,053)	(1,823)
Plant and equipment under construction (work in progress)	1,389	714
Total plant and equipment	8,758	8,155
Total property, plant and equipment	237,018	237,829

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Valuation of land and buildings

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

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

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

Valuation of plant and equipment

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

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

Impairment

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

22 Investment property

	2017	2016
	\$'000	\$'000
Investment property (at fair value)	16,897	14,854
Total investment property	16,897	14,854

Valuation of investment property

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

As at 30 June 2017, an independent valuation was performed on the investment property at Unit 1, 27 Kermode Street North Adelaide, by Asset Val with recent experience in the local market and equivalent properties. Investment properties are measured at fair value.

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

Impairment

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

23 Intangible assets

	2017	2016
	\$'000	\$'000
Computer Software	107	107
Accumulated amortisation - computer software	(71)	(50)
Total intangible assets	36	57

Impairment

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

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

24 Fair Value Measurement

Fair Value Hierarchy

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

Fair value measurements

	2017			2016		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Recurring fair value measurements	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land (Note 21)	-	40,496	40,496	-	40,186	40,186
Buildings (Note 21)	-	184,159	184,159	-	188,540	188,540
Leasehold improvements (Note 21)	-	375	375	-	382	382
Plant and equipment (Note 21)	-	7,369	7,369	-	7,441	7,441
Investment property (Note 22)	16,897	-	16,897	14,854	-	14,854
Total recurring fair value measurements	16,897	232,399	249,296	14,854	236,549	251,403
Total	16,897	232,399	249,296	14,854	236,549	251,403

There are no non-recurring fair value measurements.

The Hospital's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. Valuation techniques and inputs used to derive Level 2 and 3 fair values are at Note 21 and 22.

During 2017 and 2016, the hospital had no valuations categorised into Level 1; there were no transfers of assets between Level 1, 2 and 3 fair value hierarchy levels in 2016-17.

Valuation techniques and inputs

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

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

Unobservable inputs used to arrive at final valuation figures included:

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

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

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Reconciliation of property, plant and equipment and investment properties

The following table shows the movement

2016-17

	Land and buildings			Plant and equipment				Total
	Land	Buildings	Capital works in progress land and buildings	Leasehold improvements	Medical/surgical/dental/biomedical	Other plant and equipment	Capital works in progress plant and equipment	Investment Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of the period	40,186	188,540	566	382	4,878	2,563	714	14,854
Additions	-	20	3,144	63	935	22	1,569	-
Assets received free of charge	310	609	-	-	-	-	-	-
Disposals	-	-	-	-	(4)	(34)	-	-
Transfers between asset classes	-	480	(480)	-	831	13	(844)	-
Other movements	-	-	-	-	192	-	(50)	-
Subtotal:	40,496	189,649	3,230	445	6,832	2,564	1,389	14,854
Gains/(losses) for the period recognised in net result:								
Depreciation and amortisation	-	(5,490)	-	(70)	(1,725)	(302)	-	-
Revaluation increment / (decrement)	-	-	-	-	-	-	-	2,043
Subtotal:	-	(5,490)	-	(70)	(1,725)	(302)	-	2,043
Carrying amount at the end of the period	40,496	184,159	3,230	375	5,107	2,262	1,389	16,897
								253,915

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

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

2015-16

	Land and buildings				Plant and equipment						Total \$'000
	Land \$'000	Buildings \$'000	Buildings under finance lease \$'000	Capital works in progress land and buildings \$'000	Leasehold improve- ments \$'000	Medical/ surgical/ dental/ biomedical \$'000	Other plant equipment and \$'000	Plant and equipment under finance lease \$'000	Capital works in progress plant and equipment \$'000	Investment Property \$'000	
Carrying amount at beginning of the period	40,186	191,326	-	2,315	458	4,315	1,871	-	553	14,365	255,389
Additions	-	200	-	953	-	1,875	89	-	533	-	3,650
Assets received free of charge	-	216	-	-	-	478	741	-	-	-	1,435
Disposals	-	-	-	-	-	(393)	-	-	-	-	(393)
Transfers between asset classes	-	2,315	-	(2,702)	-	246	126	-	(372)	387	-
Other movements	-	1	-	-	(1)	-	-	-	-	-	-
Subtotal:	40,186	194,058	-	566	457	6,521	2,827	-	714	14,752	260,081
Gains/(losses) for the period recognised in net result:											
Depreciation and amortisation	-	(5,518)	-	-	(75)	(1,643)	(264)	-	-	-	(7,500)
Revaluation increment / (decrement)	-	-	-	-	-	-	-	-	-	102	102
Subtotal:	-	(5,518)	-	-	(75)	(1,643)	(264)	-	-	102	(7,398)
Carrying amount at the end of the period	40,186	188,540	-	566	382	4,878	2,563	-	714	14,854	252,683

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

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Reconciliation of intangibles

	2016-17		2015-16	
	Computer software \$'000	Total \$'000	Computer software \$'000	Total \$'000
Carrying amount at beginning of the period	57	57	78	78
Depreciation and amortisation	(21)	(21)	(21)	(21)
Carrying amount at the end of the period	36	36	57	57

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

25 Payables

	2017	2016
	\$'000	\$'000
Current		
Creditors and accrued expenses	6,775	11,280
Paid Parental Leave Scheme payable	85	71
Staff on-costs*	3,662	3,470
Other payables	784	399
Total current payables	11,306	15,220
Non-current		
Staff on-costs*	2,425	2,701
Total non-current payables	2,425	2,701
Total payables	13,731	17,921

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

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has decreased from the 2016 rate of 51% to 48%. Further, Mercer Consulting (Australia) Pty Ltd has determined that the average factor for the calculation of employer superannuation cost on-cost has decreased from 10.03% in 2016 to 9.62%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of \$0.266 million and employee benefits expense of \$0.266 million. The estimated impact on 2018 and 2019 is \$0.277 million and \$0.288 million respectively.

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

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

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

Interest rate and credit risk

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owed. Sundry creditors are normally settled within 30 days from the date the invoice is first received. Staff on-costs are settled when the respective staff benefits that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.

Refer to Note 30 for further information on risk management.

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

26 Staff benefits

	2017	2016
	\$'000	\$'000
Current		
Annual leave	23,969	22,827
Long service leave	9,319	9,109
Accrued salaries and wages	6,894	5,698
Skills and experience retention leave	2,956	2,698
Other	34	41
Total current staff benefits	43,172	40,373
Non-current		
Long service leave	52,129	52,854
Total non-current staff benefits	52,129	52,854
Total staff benefits	95,301	93,227

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by Mercer Consulting (Australia) Pty Ltd has provided a basis for the measurement of long service leave.

AASB 119 requires the use of a 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 (1.83%) to 2017 (2.39%). This increase of 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 yield in the current financial year is a decrease in the long service leave liability of \$2.145 million and employee benefit expense of \$2.244 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 being the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4.00% for long service leave liability and 3.00% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

27 Provisions

		2017	2016
	Note	\$'000	\$'000
Current			
Workers compensation	27.1	2,411	2,213
Total current provisions		2,411	2,213
Non-current			
Workers compensation	27.1	4,224	3,103
Total non-current provisions		4,224	3,103
Total provisions		6,635	5,316

Workers Compensation

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2017 provided by a consulting actuary engaged through the Office of the Public Sector. The provision is for the estimated cost of ongoing payments to staff as required under current legislation. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling these claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all claims do not have to be paid in the immediate future.

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

27.1 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	5,316	5,253
Increase in provisions recognised	2,100	672
Reductions arising from payments/other sacrifices of future economic benefits	(781)	(609)
Carrying amount at the end of the period	6,635	5,316

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.

28 Other liabilities

	2017	2016
	\$'000	\$'000
Current		
Unclaimed monies	-	99
Unearned revenue	108	108
Other	59	84
Total current other liabilities	167	291
Total other liabilities	167	291

29 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.

29.1 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	3,121	4,878
Later than one year but not longer than five years	3,045	3,341
Later than five years	1,431	869
Total operating lease commitments	7,597	9,088
Representing:		
Cancellable operating leases	5,512	6,082
Non-cancellable operating leases	2,085	3,006
Total operating lease commitments	7,597	9,088

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

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.

29.2 Expenditure Commitments

	2017	2016
	\$'000	\$'000
Within one year	5,856	11,415
Later than one year but not longer than five years	584	1,107
Total expenditure commitments	6,440	12,522

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

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

30 Financial instruments / financial risk management

30.1 Financial risk management

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

The Hospital's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity risk

The Hospital is funded principally by the Department for Health and Ageing. The Department for Health and Ageing works with the Department of Treasury and Finance to determine the cash flows associated with the SA Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to Note 25 for further information.

Credit and market risk

The Hospital has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Hospital does not trade in foreign currency, enter into transactions for speculative purposes, nor for hedging. No collateral is held as security and no credit enhancements relate to financial assets held by the hospital.

Refer to Notes 17, 18 and 19 for further information.

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

30.2 Categorisation of financial instruments

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

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

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

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer Notes 2, 18 and 25).
- Available-for-sale financial assets are initially recognised and subsequently measured at fair value. Dividends or distributions on available-for-sale assets are recognised in the Statement of Comprehensive Income. Fair value gains and losses on available-for sale assets are recorded in Other Comprehensive Income (except for impairment losses) until the asset is derecognised. On derecognition of an available-for-sale asset, the cumulative gain or loss that is recognised in Other Comprehensive Income for that asset is reclassified to profit or loss as a reclassification adjustment.

WOMEN'S AND CHILDREN'S HEALTH NETWORK
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, 33	16,641	23,464
Loans and receivables			
Receivables ^{(1) (2)}	18	7,052	6,253
Available for sale financial assets			
Other financial assets	19	1,226	1,176
Total financial assets		24,919	30,893
Financial liabilities			
Financial liabilities at cost			
Payables ⁽¹⁾	25	7,394	11,505
Other liabilities	28	59	183
Total financial liabilities		7,453	11,688

⁽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.

31 Transferred functions

Transferred in

Assets and liabilities transferred were:	2017	2016
	\$'000	\$'000
Payables	-	47
Staff benefits	-	675
Total liabilities	-	722
Total net assets transferred	-	(722)

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

2016-17

- There were no transfers in during this period.

2015-16

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

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

32 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed within this note and, if quantifiable are measured at nominal value. Contingencies are disclosed net of the amount of GST recoverable or payable. If GST is not recoverable or payable, the contingencies are disclosed on a gross basis.

Contingent Assets

The Hospital is not aware of any contingent assets.

Contingent Liabilities

An industrial claim was lodged against the Hospital during the financial year. It is not possible to estimate the dollar effect of this claim or whether the claim will be successful.

Guarantees

The Hospital has made no guarantees.

33 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	16,641	23,464
Cash as per Statement of Financial Position	16,641	23,464
Balance as per the Statement of Cash Flows	16,641	23,464
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash provided by (used in) operating activities	(495)	3,949
Department for Health and Ageing contributions for the provision of health services	(383,755)	(377,279)
Add/less non-cash items		
Depreciation and amortisation expense of non-current assets	(7,608)	(7,521)
Loss on sale or disposal of non-current assets	(38)	(156)
Increments/(decrements) on revaluation of non-current assets	1,993	(113)
Assets acquired at no cost or nominal consideration	919	1,434
Movement in assets and liabilities		
Increase (decrease) in receivables	821	1,221
Increase (decrease) in inventories	29	80
(Increase) decrease in staff benefits	(2,074)	(7,670)
(Increase) decrease in payables and provisions	2,489	(3,604)
(Increase) decrease in other liabilities	124	101
Net cost of providing services	(387,595)	(389,558)

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.

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

34 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	875	1,057	322,116	325,750	322,991	326,807
5 Supplies and services	49,150	43,083	58,196	60,753	107,346	103,836
Administration	125	65	525	525	650	590
Advertising	126	70	134	128	260	198
Communication	220	32	1,426	1,576	1,646	1,608
Computing	4,028	3,899	332	341	4,360	4,240
Contractors	425	403	40	248	465	651
Contractors - agency staff	5,934	5,739	2,198	2,934	8,132	8,673
Consultants	-	-	23	9	23	9
Contract of services	-	-	-	3	-	3
Drug supplies	286	301	8,701	8,412	8,987	8,713
Electricity, gas and fuel	57	40	3,082	3,131	3,139	3,171
Fee for service	125	112	2,858	3,011	2,983	3,123
Finance lease contingent rentals	-	-	13	-	13	-
Food supplies	232	278	1,998	2,068	2,230	2,346
Housekeeping	455	431	9,765	9,962	10,220	10,393
Insurance	5,498	5,332	12	10	5,510	5,342
Internal SA Health SLA payments	2,932	2,585	-	-	2,932	2,585
Legal	111	102	32	42	143	144
Medical, surgical and laboratory	16,432	11,844	9,890	10,122	26,322	21,966
Minor equipment	153	139	1,290	901	1,443	1,040
Motor vehicle expenses	1,915	2,029	261	310	2,176	2,339
Occupancy rent and rates	1,286	1,512	3,304	3,773	4,590	5,285
Patient transport	1,418	1,219	320	290	1,738	1,509
Payments to Shared Services SA	2,568	2,536	-	-	2,568	2,536
Postage	12	2	870	685	882	687
Printing and stationery	124	99	1,562	1,645	1,686	1,744
Rental expense on operating lease	3	77	47	101	50	178
Repairs and maintenance	4,171	3,682	445	701	4,616	4,383
Security	55	60	1,109	976	1,164	1,036
Staff training and development	206	145	2,481	2,762	2,687	2,907
Staff travel expenses	3	2	2,345	2,414	2,348	2,416
Other supplies and services	250	348	3,133	3,673	3,383	4,021
6 Depreciation and amortisation expense	-	-	7,608	7,521	7,608	7,521
7 Grants and subsidies	2	-	144	63	146	63
Funding to non-government organisations	-	-	144	63	144	63
Other	2	-	-	-	2	-
13 Net loss from disposal of non-current and other assets	-	-	38	156	38	156
Total proceeds from disposal	-	-	-	(22)	-	(22)
Less total value of assets disposed	-	-	38	178	38	178
8 Other expenses	195	397	1,322	296	1,517	693
Bad and doubtful debts	-	-	937	(17)	937	(17)
Bank fees and charges	-	2	34	21	34	23
Donated assets expense	-	215	-	-	-	215
Other	195	180	351	292	546	472
TOTAL EXPENSES	50,222	44,537	389,424	394,539	439,646	439,076

WOMEN'S AND CHILDREN'S HEALTH NETWORK
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
INCOME						
9 Revenue from fees and charges	14,254	14,748	21,395	20,444	35,649	35,192
Interstate patient transfers	-	-	-	2	-	2
Insurance recoveries	19	12	-	-	19	12
Patient and client fees	-	-	10,582	10,132	10,582	10,132
Private practice fees	-	-	2,403	2,188	2,403	2,188
Recoveries	13,928	14,588	2,354	1,632	16,282	16,220
Sale of goods - medical supplies	-	13	261	220	261	233
Other user charges and fees	307	135	5,795	6,270	6,102	6,405
10 Grants and contributions	4,141	4,120	3,075	2,995	7,216	7,115
Commonwealth grants and donations	-	-	683	545	683	545
SA Government Capital contributions	45	-	-	-	45	-
Other SA Government grants and contributions	4,096	4,120	-	-	4,096	4,120
Private sector capital contributions	-	-	174	717	174	717
Private sector grants and contributions	-	-	2,218	1,733	2,218	1,733
11 Interest revenue	212	261	1	2	213	263
12 Resources received free of charge	919	-	-	1,435	919	1,435
Gain on revaluation of investment proper	-	-	2,043	102	2,043	102
14 Other revenue	1,100	1,032	4,911	4,379	6,011	5,411
Commissions revenue	-	-	56	54	56	54
Dividend revenue	-	-	74	60	74	60
Royalty income	592	560	70	-	662	560
Donations	-	-	985	-	985	-
Training revenue	24	8	148	155	172	163
Donations received	-	-	-	801	-	801
Car parking revenue	-	-	2,885	2,588	2,885	2,588
Other	484	464	693	721	1,177	1,185
15 Revenue from SA Government	383,755	377,279	-	-	383,755	377,279
TOTAL INCOME	404,381	397,440	31,425	29,357	435,806	426,797
FINANCIAL ASSETS						
17 Cash and cash equivalents	15,866	22,730	775	734	16,641	23,464
18 Receivables	3,235	2,152	6,635	6,897	9,870	9,049
Patient/client fees						
Compensable	-	-	134	475	134	475
Other	-	-	4,843	4,424	4,843	4,424
Debtors	1,148	111	2,404	1,757	3,552	1,868
Less: allowance for doubtful debts	-	-	(1,713)	(1,206)	(1,713)	(1,206)
Prepayments	(19)	3	512	586	493	589
Dividends receivable	-	-	31	15	31	15
Grants	-	-	11	-	11	-
Sundry receivables and accrued revenue	-	-	238	726	238	726
GST recoverable	-	-	175	120	175	120
Workers compensation provision recoverable	2,106	2,038	-	-	2,106	2,038
19 Other financial assets	-	-	1,226	1,176	1,226	1,176
Other investments	-	-	1,226	1,176	1,226	1,176
TOTAL FINANCIAL ASSETS	19,101	24,882	8,636	8,807	27,737	33,689
Note	SA Government		Non-SA Government		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

FINANCIAL LIABILITIES							
25	Payables	1,344	1,009	12,387	16,912	13,731	17,921
	Creditors and accrued expenses	1,344	1,009	5,431	10,271	6,775	11,280
	Paid Parental Leave Scheme payable	-	-	85	71	85	71
	Staff on-costs	-	-	6,087	6,171	6,087	6,171
	Other payables	-	-	784	399	784	399
28	Other liabilities	(1)	-	168	291	167	291
	Unclaimed monies	-	-	-	99	-	99
	Unearned revenue	-	-	108	108	108	108
	Other	(1)	-	60	84	59	84
TOTAL FINANCIAL LIABILITIES		1,343	1,009	12,555	17,203	13,898	18,212

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

35 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 the Accounting Policy Framework II were:

Board/Committee name:	Government employee members*	
	1	Other members
Audit and Risk Committee		Connor G (Chair), Haslam R (appointed 17/05/2017), Sweet C, Wigg N Dr
Women's and Children's Health Network Advisory Council Incorporated	2	Buckerfield M, Buza Y (non-active member), Cadzow M, May F (appointed 31/01/2017), Tiddy J Dr (appointed 25/07/2016), Wallace M (Chair), Wigg N Dr

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

	2017 No. of Members	2016 No. of Members
\$0		
\$1 - \$9,999	6	4
\$10,000 - \$19,999	7	8
Total	14	13

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 \$0.058 million (\$0.048 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.

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

36 Related party transactions

The Hospital is controlled by the SA Government.

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

Significant transactions with government related entities

The Hospital received funding from the SA Government via the Department (Note 15) and incurred expenditure via the Department for medical, surgical and laboratory supplies, inter-health staff recharging, insurance and computing (Note 5 and 34). In addition, the Hospital incurred significant expenditure with the Department of Planning, Transport and Infrastructure (DPTI) for capital works of \$1.951 million and for property repairs and maintenance of \$4.171 million (Note 5 and 34). As at 30 June the outstanding balance payable to DPTI was \$0.645 million.

Quantitative information about transactions and balances between the Hospital and other SA Government controlled entities are disclosed at Note 34.

In addition, the Hospital has lease arrangements (both as lessee and as lessor) with other SA Government controlled entities. These premises are provided/received at nil or nominal rental with outgoings such as utilities being paid by the lessee.

Key Management Personnel

Key management personnel (KMP) of the Hospital includes the Ministers, the Chief Executive of the Department, Chief Executive Officer of the Hospital and the seven members of the Executive Management Group who have responsibility for the strategic direction and management of the Hospital.

The compensation detailed below excludes salaries and other benefits received by:

- The Minister for Health, The Minister for Ageing and the Minister for Mental Health and Substance Abuse receive. These Ministers' remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*; and
- The Chief Executive of the Department. The Chief Executive of the Department is compensated by the Department and there is no requirement for the Hospital to reimburse those expenses.

	2017	2016
Compensation	\$'000	\$'000
Salaries and other short term employee benefits	1,577	na
Post-employment benefits	225	na
Total	1,802	-

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

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

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

37 Schedules of administered funds

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

Other administered funds include the following:

- Private Practice Funds; and
- Nurses Education Fund

Schedule of Administered Expenses and Income

	Strata Corp	Other admin funds	Total
	2017	2017	2017
	\$'000	\$'000	\$'000
Administered expenses			
Employee benefit expenses	50	-	50
Supplies and services	37	25	62
Depreciation and amortisation expense	1	-	1
Other expenses	133	8,185	8,318
Total administered expenses	221	8,210	8,431
Administered income			
Revenue from fees and charges	171	8,179	8,350
Other revenue	11	-	11
Total administered income	182	8,179	8,361
Net result	(39)	(31)	(70)

	Strata Corp	Other admin funds	Total
	2016	2016	2016
	\$'000	\$'000	\$'000
Administered expenses			
Employee benefit expenses	49	-	49
Supplies and services	412	14	426
Other expenses	113	5,392	5,505
Total administered expenses	574	5,406	5,980
Administered income			
Revenue from fees and charges	619	5,521	6,140
Other revenue	6	-	6
Total administered income	625	5,521	6,146
Net result	51	115	166

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Schedule of Administered Assets and Liabilities

	Strata Corp	Other admin funds	Total
	2017	2017	2017
	\$'000	\$'000	\$'000
Administered current assets			
Cash and cash equivalents	69	725	794
Receivables	1	(8)	(7)
Total administered current assets	70	717	787
Administered non-current assets			
Property, plant and equipment	41	-	41
Total administered non-current assets	41	-	41
Total administered assets	111	717	828
Administered current liabilities			
Payables	14	3	17
Other current provisions/liabilities	-	2	2
Total administered current liabilities	14	5	19
Total administered liabilities	14	5	19
Net administered assets	97	712	809

	Strata Corp	Other admin funds	Total
	2016	2016	2016
	\$'000	\$'000	\$'000
Administered current assets			
Cash and cash equivalents	106	731	837
Receivables	52	24	76
Total administered current assets	158	755	913
Total administered assets	158	755	913
Administered current liabilities			
Payables	22	12	34
Total administered current liabilities	22	12	34
Total administered liabilities	22	12	34
Net administered assets	136	743	879

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Schedule of Administered Changes in Equity

	Total 2017 \$'000	Total 2016 \$'000
Balance at the beginning of the reporting period	879	713
Restated Opening Balance	879	713
Net result	(70)	166
Total comprehensive result for the period	(70)	166
Balance at the end of the reporting period	809	879

Schedule of Administered Cash Flows

	Total 2017 \$'000	Total 2016 \$'000
Cash flows from operating activities		
Cash inflows		
Fees and charges	8,357	6,029
Other revenue	11	6
Total cash inflows	8,368	6,035
Cash outflows		
Staff benefit payments	50	49
Supplies and services	45	446
Other payments	8,274	5,506
Total cash outflows	8,369	6,001
Net cash inflows/cash outflows from operating	(1)	34
Cash flows from investing activities		
Cash outflows		
Payments for property plant and equipment	42	0
Total cash outflows	42	-
Net cash inflows/cash outflows from investing	(42)	-

	Total 2016 \$'000	
Net increase/(decrease) in cash held	(43)	34
Cash at the beginning of the reporting period	837	803
Cash at the end of the reporting period	794	837

Administered expenses and administered cash outflows

The Hospital makes various transfer payments to eligible beneficiaries in the capacity of an agent responsible for the administration of the transfer process. Amounts relating to these transfer payments are not controlled by the Hospital, since they are made at the discretion of Government in accordance with Government policy. These transfers are disclosed as administered expenses and administered cash outflows.

Administered incomes and administered cash inflows

The Hospital collects various revenues and grants on behalf of Government. The amounts are not controlled by the Hospital and are not recognised by the Hospital. These amounts are disclosed as administered revenues and administered cash inflows.

Administered assets and liabilities

The Hospital manages various assets and liabilities on behalf of the Government. The amounts are not controlled by the Hospital and are not recognised by the Hospital. These amounts are disclosed as administered assets and liabilities.

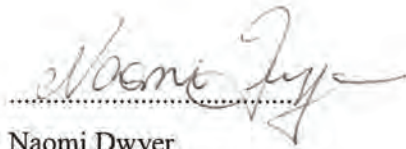
Administered contingent assets and liabilities

The Hospital has no administered contingent assets and liabilities.

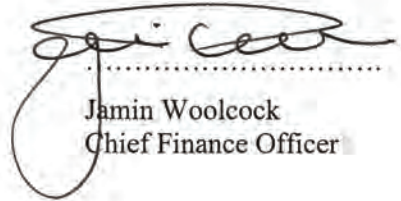
Certification of the financial statements

We certify that the:

- financial statements of the Women's and Children's Health Network Inc.:
 - are in accordance with the accounts and records of the authority; and
 - comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Women's and Children's Health Network Inc. over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Naomi Dwyer
Chief Executive Officer



Jamin Woolcock
Chief Finance Officer

Date 14.9.17

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chief Executive Officer Women's and Children's Health Network Incorporated

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 36(2) of the *Health Care Act 2008*, I have audited the financial report of the Women's and Children's Health Network Incorporated for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Women's and Children's Health Network Incorporated as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chief Executive Officer and the Chief Finance Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of Women's and Children's Health Network Incorporated. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Executive Officer for the financial report

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in dark ink, appearing to read 'A. Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

21 September 2017