



Level 9  
State Administration Centre  
200 Victoria Square  
Adelaide SA 5000  
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 Office for Recreation, Sport and Racing

### Opinion

I have audited the financial report of the Office for Recreation, Sport and Racing for the financial year ended 30 June 2022.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Office for Recreation, Sport and Racing as at 30 June 2022, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued 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 2022
- a Statement of Financial Position as at 30 June 2022
- a Statement of Changes in Equity for the year ended 30 June 2022
- a Statement of Cash Flows for the year ended 30 June 2022
- notes, comprising material accounting policies and other explanatory information
- a Certificate from the Chief Executive and the Director, Corporate Strategy and Investment.

### Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Office for Recreation, Sport and Racing. 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 (including Independence Standards)* have been met.

I believe that the audit evidence I have 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 relevant Treasurer's Instructions issued 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.

In preparing the financial report, the Chief Executive is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

### **Auditor's responsibilities for the audit of the financial report**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Officer for Recreation, Sport and Racing for the financial year ended 30 June 2022.

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, but not for the purpose of

expressing an opinion on the effectiveness of the Office for Recreation, Sport and Racing's internal control

- 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 Chief Executive'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. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease 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 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.



Daniel O'Donohue  
**Assistant Auditor-General (Financial Audit)**

29 September 2022

# **Office for Recreation, Sport and Racing**

## **Financial Statements**

For the year ended 30 June 2022

**Office for Recreation, Sport and Racing**  
**Certification of the Financial Statements**  
*for the year ended 30 June 2022*

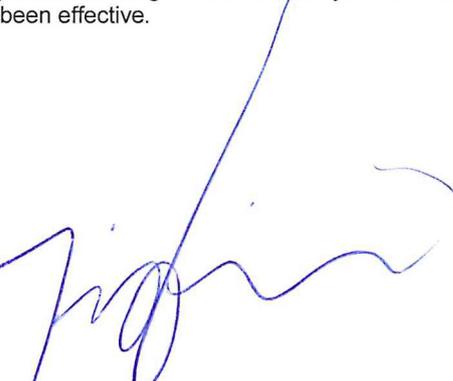
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We certify that the:

- financial statements of the Office for Recreation, Sport and Racing:
  - are in accordance with the accounts and records of the Office for Recreation, Sport and Racing;
  - comply with relevant Treasurer's Instructions;
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the Office for Recreation, Sport and Racing 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 Office for Recreation, Sport and Racing for the financial year over its financial reporting and its preparation of financial statements have been effective.



Kylie Taylor  
Chief Executive  
28/ September 2022



Tim Nicholas  
Director, Corporate Strategy and Investment  
28/ September 2022

**Office for Recreation, Sport and Racing**  
**Statement of Comprehensive Income**  
*for the year ended 30 June 2022*

	Note	2022 \$'000	2021 \$'000
<b>Income</b>			
Appropriation	2.1	188 455	152 082
Fees and charges	2.2	835	726
Commonwealth-sourced grants and funding	2.3	626	39
SA Government grants, subsidies and transfers	2.4	5 729	4 581
Other grants	2.5	1 235	790
Resources received free of charge	2.6	204	655
Other income	2.7	3 335	1 042
<b>Total income</b>		<b>200 419</b>	<b>159 915</b>
<b>Expenses</b>			
Employee benefits	3.3	8 059	7 898
Supplies and services	4.1	6 420	6 196
Grants and subsidies	4.2	144 391	102 750
Borrowing costs	7.2	1	1
Depreciation and amortisation	5.1, 5.2	14 190	8 690
Net loss from disposal of non-current assets	4.3	1 011	162
Other expenses	4.4	257	134
<b>Total expenses</b>		<b>174 329</b>	<b>125 831</b>
<b>Net result</b>		<b>26 090</b>	<b>34 084</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to net result</i>			
Changes in asset revaluation surplus		62 998	-
<b>Total other comprehensive income</b>		<b>62 998</b>	<b>-</b>
<b>Total comprehensive result</b>		<b>89 088</b>	<b>34 084</b>

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

**Office for Recreation, Sport and Racing**  
**Statement of Financial Position**  
*as at 30 June 2022*

	Note	2022 \$'000	2021 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6.1	88 908	35 588
Receivables	6.2	27 612	32 040
Non-current assets classified as held for sale	5.3	24 666	-
<b>Total current assets</b>		<b>141 186</b>	<b>67 628</b>
<b>Non-current assets</b>			
Receivables	6.2	4	13 506
Property, plant and equipment	5.1	362 815	289 626
Intangible assets	5.2	136	-
<b>Total non-current assets</b>		<b>362 955</b>	<b>303 132</b>
<b>Total assets</b>		<b>504 141</b>	<b>370 760</b>
<b>Current liabilities</b>			
Payables	7.1	60 730	17 007
Employee benefits	3.4	912	1 167
Financial liabilities	7.2	49	53
Contract liabilities	2.3	125	-
Provisions	7.3	32	26
Other liabilities	7.4	2 477	1 420
<b>Total current liabilities</b>		<b>64 325</b>	<b>19 673</b>
<b>Non-current liabilities</b>			
Payables	7.1	99	128
Employee benefits	3.4	1 027	1 366
Financial liabilities	7.2	46	67
Provisions	7.3	93	63
<b>Total non-current liabilities</b>		<b>1 265</b>	<b>1 624</b>
<b>Total liabilities</b>		<b>65 590</b>	<b>21 297</b>
<b>Net assets</b>		<b>438 551</b>	<b>349 463</b>
<b>Equity</b>			
Asset revaluation surplus	8.1	62 998	-
Retained earnings	8.1	375 553	349 463
<b>Total equity</b>		<b>438 551</b>	<b>349 463</b>

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

**Office for Recreation, Sport and Racing**  
**Statement of Changes in Equity**  
*for the year ended 30 June 2022*

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	Asset revaluation surplus \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2020	-	315 379	315 379
Net result for 2020-21	-	34 084	34 084
Total comprehensive result for 2020-21	-	<b>34 084</b>	<b>34 084</b>
Balance at 30 June 2021	-	<b>349 463</b>	<b>349 463</b>
Net result for 2021-22	-	26 090	26 090
<b>Net changes in reserves</b>			
Gain/(Loss) on revaluation of property, plant and equipment	62 998	-	62 998
Balance at 30 June 2022	<b>62 998</b>	<b>375 553</b>	<b>438 551</b>

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

**Office for Recreation, Sport and Racing**  
**Statement of Cash Flows**  
*for the year ended 30 June 2022*

	Note	2022 \$'000	2021 \$'000
<b>Cash flows from operating activities</b>			
<b>Cash inflows</b>			
Appropriation		188 455	152 082
Fees and charges		1 019	673
Receipts from Commonwealth-sourced grants		1 290	55
SA Government grants, subsidies and transfers		5 426	4 581
Other grants		794	921
GST recovered from the ATO		9 344	-
Other receipts		2 487	2 228
<b>Cash generated from operations</b>		<b>208 815</b>	<b>160 540</b>
<b>Cash outflows</b>			
Employee benefits payments		(8 629)	(8 270)
Payments for supplies and services		(7 208)	(5 709)
Payments of grants and subsidies		(103 463)	(98 077)
Net GST relating to Investing/Financing activities		(3 248)	-
Other payments		(92)	(88)
<b>Cash used in operations</b>		<b>(122 640)</b>	<b>(112 144)</b>
<b>Net cash provided by operating activities</b>	8.2	<b>86 175</b>	<b>48 396</b>
<b>Cash flows from investing activities</b>			
<b>Cash inflows</b>			
Proceeds from the sale of property, plant and equipment		14	6
<b>Cash generated from investing activities</b>		<b>14</b>	<b>6</b>
<b>Cash outflows</b>			
Purchase of property, plant and equipment		(32 803)	(3 911)
Other investing payments		-	(45 000)
<b>Cash used in investing activities</b>		<b>(32 803)</b>	<b>(48 911)</b>
<b>Net cash used in investing activities</b>		<b>(32 789)</b>	<b>(48 905)</b>
<b>Cash flows from financing activities</b>			
Repayment of leases		(66)	(152)
<b>Cash used in financing activities</b>		<b>(66)</b>	<b>(152)</b>
<b>Net cash used in financing activities</b>		<b>(66)</b>	<b>(152)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>53 320</b>	<b>(661)</b>
Cash and cash equivalents at the beginning of the reporting period		35 588	36 249
<b>Cash and cash equivalents at the end of the reporting period</b>	6.1	<b>88 908</b>	<b>35 588</b>

The accompanying notes form part of these financial statements.

# Office for Recreation, Sport and Racing

## Notes to and forming part of the financial statements

### For the year ended 30 June 2022

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#### 1. About the Office for Recreation, Sport and Racing

The Office for Recreation, Sport and Racing (the Office) is a not-for-profit administrative unit established pursuant to the *Public Sector Act 2009*. The Office became an attached office to the Department for Infrastructure and Transport (DIT) on 29 July 2020.

The financial statements include all controlled activities of the Office. The Office does not control any other entity and has no interests in unconsolidated structured entities.

The Office has administered items and they are presented separately and disclosed in note 11. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for the Office transactions.

#### 1.1 Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- Section 23 of the Public Finance and Audit Act 1987;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the Public Finance and Audit Act 1987; and
- relevant Australian Accounting Standards.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

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

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

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

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.

During the 2020-21 year, the Office was a member of an approved GST group, for which the Department of Premier and Cabinet was responsible for the remittance and collection of GST. As such, there are no cash flows in 2020-21 relating to GST transactions with the ATO in the Statement of Cash Flows.

The Office is subject to fringe benefits tax. The Office is not subject to income tax.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

**Office for Recreation, Sport and Racing**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2022*

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**1.2 Objectives**

The Office for Recreation, Sport and Racing is the lead agency for the Government's policy on sport and active recreation. The Office supports sport and recreation through the development of policy, programs and resources, the provision of funding, recreation and sport planning, infrastructure development, elite sport pathways and the promotion of physical activity.

The Office also provides strategic policy advice to the Minister for Recreation Sport and Racing (the Minister) on matters relating to the South Australian Racing Industry.

The Office for Recreation, Sport and Racing has administrative responsibility for the Recreation and Sport Fund and the Sport and Recreation Fund.

**1.3 Impact of COVID-19 pandemic on the Office**

The COVID-19 pandemic has had an impact on the operations of the Office. These impacts are included under the relevant disclosure notes. The key impacts in 2021-22 were:

- As a result of the COVID-19 pandemic, the Government of South Australia had activated the Public Sector Mobilisation Policy in March 2020. Mobilised staff assist with COVID-19 management activities in support of the COVID-19 response. The Office for Recreation, Sport and Racing participated in the response, with two staff being partially mobilised in the 2021-22 financial year. The related employee benefit costs were expensed over the period.
- The Office has provided some rent relief by negotiating extended payment terms as appropriate. All rental amounts due are expected to be paid in full.
- The Office has not experienced a material increase in credit losses resulting from the COVID-19 pandemic.
- The Office has not observed significantly elevated levels of staff absences as a result of the COVID-19 pandemic. Should the need arise, staff can transition to a working from home arrangement.
- The Office is not expecting to provide any specific and quantifiable additional community support in relation to the COVID-19 pandemic.

**Office for Recreation, Sport and Racing**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2022*

**1.4 Budget performance**

The budget performance table compares the Office's outcomes against budget information presented to Parliament (Budget Paper 4). The budget amounts have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

	Note	Original budget 2022 \$'000	Actual 2022 \$'000	Variance \$'000
<b>Statement of Comprehensive Income</b>				
<b>Income</b>				
Appropriation	a	90 483	188 455	97 972
Fees and charges		887	835	(52)
Commonwealth-sourced grants and funding		1 535	626	(909)
SA Government grants, subsidies and transfers		4 524	5 729	1 205
Other grants		782	1 235	453
Resources received free of charge		-	204	204
Other income		431	3 335	2 904
<b>Total income</b>		<b>98 642</b>	<b>200 419</b>	<b>101 777</b>
<b>Expenses</b>				
Employee benefits		8 493	8 059	(434)
Supplies and services		6 945	6 420	(525)
Grants and subsidies	b	52 732	144 391	91 659
Borrowing costs		3	1	(2)
Depreciation and amortisation		8 792	14 190	5 398
Net loss from disposal of non-current assets		-	1 011	1 011
Other expenses		135	257	122
<b>Total expenses</b>		<b>77 100</b>	<b>174 329</b>	<b>97 229</b>
<b>Net result</b>		<b>21 542</b>	<b>26 090</b>	<b>4 548</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to net result</i>				
Changes to asset revaluation surplus	c	-	62 998	62 998
<b>Total other comprehensive income</b>		<b>-</b>	<b>62 998</b>	<b>62 998</b>
<b>Total comprehensive result</b>		<b>21 542</b>	<b>89 088</b>	<b>67 546</b>
<b>Investing expenditure summary</b>				
Total new projects		-	376	376
Total existing projects	d	58 300	48 909	(9 391)
Total annual programs		1 744	929	(815)
<b>Total investing expenditure</b>		<b>60 044</b>	<b>50 214</b>	<b>(9 830)</b>

**Office for Recreation, Sport and Racing**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2022*

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**1.4 Budget performance (continued)**

Explanations are provided for variances where the variance exceeds 10 per cent of the original budgeted amount and more than 5 per cent of the original budgeted total expenses, as follows:

- a The variance mainly reflects additional appropriations being received to enable the Office to deliver new local sporting club facility grants announced in 2021-22 (\$97.7 million), as well as other grant initiatives. This was partly offset by the impact of a re-profiling of other anticipated expenditure.
- b The variance mainly reflects new local sporting club facility grants announced and delivered in 2021-22. Other variance contributors included grants made for: the State Basketball Centre development; Stage 2 of the Memorial Drive Tennis Centre redevelopment; State Hockey Centre upgrades; and State Sporting Organisations COVID-19 Grant Assistance.
- c The Office undertook a revaluation of its land and buildings, effective 1 July 2021, resulting in an increase in reported asset values and a corresponding movement in the asset revaluation surplus. Movements largely reflected recent developments in the Australian property market.
- d The variance largely reflects a delay in the anticipated construction works related to the National Centre of Sports Aerodynamics and a re-scoping of the project at Netball SA Stadium.

**1.5 Significant transactions with government related entities**

Significant transactions with the SA Government are identifiable throughout this financial report. They include:

- Appropriation, and Contingency funding provided by the Department of Treasury and Finance;
- Major capital works through the Department for Infrastructure and Transport;
- Corporate services provided by the Department of the Premier and Cabinet and the Department of Treasury and Finance (Shared Services SA);
- A prepaid amount with Adelaide Venue Management Corporation to fund upgrade works at Hindmarsh Stadium (refer to note 6.2);
- Facilities maintenance and improvements services engaged with providers, through the Department for Infrastructure and Transport; and
- Other Government services including: fleet vehicles leased through the SA Government Financing Authority (SAFA); insurance provided through SAFA; legal services obtained from the Crown Solicitor's Office; Audit services obtained from the Auditor-General's Department, and rates and taxes payable to SA Water and Revenue SA.

**Office for Recreation, Sport and Racing**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2022*

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**2. Income**

**2.1 Appropriation**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Appropriation from Consolidated Account pursuant to the <i>Appropriation Act</i>	90 483	135 082
Appropriation from Governor's Appropriation Fund	97 972	17 000
<b>Total appropriation</b>	<b>188 455</b>	<b>152 082</b>

This table does not show appropriations in the form of a loan or an equity contribution.

Appropriations are recognised on receipt. Appropriation pursuant to the *Appropriation Act* consist of \$53.4 million (2021: \$128.4 million) for operational funding and \$37.1 million (2021: \$6.7 million) for capital projects. This appropriation comprises money issued and applied to the Office as per Schedule 1 of the Act. Money appropriated for the Office's purposes which was issued to special deposit accounts or deposit accounts of other public authorities is not reflected here.

Money appropriated from the Governor's Appropriation Fund related to operational funding (2021: \$17 million for capital projects).

**2.2 Fees and charges**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Rental income	423	333
Short-term facility and equipment hire	396	373
Registration fees	13	10
Sale of goods	-	10
Other fees and charges	3	-
<b>Total fees and charges</b>	<b>835</b>	<b>726</b>

Regarding rental income, refer to note 5.1 for details on the Office's leasing arrangements as lessor.

In relation to revenue from short-term hire of sporting facilities, and associated support services, customers are invoiced at the conclusion of the hire arrangement. At this point in time, satisfaction of performance obligations are considered complete and revenue is recognised.

Transaction prices reflect the fixed amounts agreed with customers prior to the service being rendered, and once invoiced, amounts receivable are subject to standard 30 day payment terms. Any amounts remaining unpaid at the end of the reporting period are treated as accounts receivable.

Registration fees consist of registrations for boxing and martial arts. The Office has applied the recognition exemptions for licences where the transaction price is of low value and accordingly recognises registration income at a point in time.

**Office for Recreation, Sport and Racing**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2022*

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**2.3 Commonwealth-sourced grants and funding**

	2022	2021
	\$'000	\$'000
Commonwealth revenue - multi-year asset construction	626	39
<b>Total commonwealth-sourced grants and funding</b>	<b>626</b>	<b>39</b>

Grants received are usually subject to terms and conditions set out in contracts, correspondence or legislation.

The Office received grants from Commonwealth Government entities for the purposes of constructing and upgrading sporting infrastructure. The Office recognised \$0.626 million in 2021-22 as income using the percentage of completion method. The remainder of the grant funds will be recognised as income as upgrade works are completed. Additional detail is included at note 7.4.

**Contract balances**

	2022	2021
	\$'000	\$'000
Contract liabilities	125	-
<b>Total contract liabilities</b>	<b>125</b>	<b>-</b>

The Office was granted \$125 000 from the Commonwealth Government in 2021-22 for a research project, and this was originally recognised as a contract liability.

The single performance obligation is satisfied over time as research is conducted, and the customer receives and uses the research intellectual property benefits simultaneously. The Office recognises revenue on an input basis, as the Office expends the granted amount on allowable expenses under the agreement as the research project is progressed. Unexpended amounts are returned to the customer at the conclusion of the project.

No revenue was recognised in 2021-22 that was included in contract liabilities at 1 July 2021. No revenue related to adjustments to prices for performance obligations satisfied or partially satisfied in prior periods was recorded.

**2.4 SA Government grants, subsidies and transfers**

	2022	2021
	\$'000	\$'000
<b>SA Government grants, subsidies and transfers</b>		
Intra-government transfers - Sport and Recreation Fund	4 524	4 500
Intra-government transfers - other	603	81
Contingency funding provided by the Department of Treasury and Finance	602	-
<b>Total SA Government grants, subsidies and transfers</b>	<b>5 729</b>	<b>4 581</b>

SA Government grants, subsidies and transfers are recognised upon receipt, and largely relate to funds transferred from the Sport and Recreation Fund, which is an administered item of the Office. Refer to note 11.

**Office for Recreation, Sport and Racing**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2022*

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**2.5 Other grants**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Private industry grants - sport programs	859	790
Private industry grants - other	360	-
Private industry grants - multi-year asset construction	16	-
<b>Total other grants</b>	<b>1 235</b>	<b>790</b>

The Office received a grant for the purposes of constructing and upgrading sporting infrastructure. The Office recognised \$16 000 in 2021-22 as income using the percentage of completion method. The remainder of the grant funds will be recognised as income as upgrade works are completed. Additional detail is included at note 7.4.

**2.6 Resources received free of charge**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Services received free of charge - Shared Services SA	150	46
Services received free of charge - ICT	54	53
Donated assets received	-	556
<b>Total resources received free of charge</b>	<b>204</b>	<b>655</b>

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.

The Office receives Accounting, Taxation, Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA. Information, Communication and Technology services are received from DPC, following Cabinet's approval to cease intra-government charging.

No assets were donated to the Office in the year.

**2.7 Other income**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Refunds	2 632	609
Sponsorship	-	15
Recoveries	254	209
Other	449	209
<b>Total other income</b>	<b>3 335</b>	<b>1 042</b>

Refunds relate to the return of grant funds to the Office. Income is recognised in line with the Office's acceptance of a grantee's acquittal.

Other income includes \$0.283 million (2021: \$0.160 million) related to a profit share arrangement at the Parks Recreation and Sports Centre at Angle Park. Refer to note 5.1 for details on the Office's leasing arrangements as lessor.

**Office for Recreation, Sport and Racing**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2022*

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**3. Committees and employees**

**3.1 Key management personnel**

Key management personnel of the Office include the Minister, the Chief Executive and four members of the Executive Leadership Team.

The compensation detailed below excludes salaries and other benefits the Minister receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

	2022	2021
	\$'000	\$'000
Salaries and other short-term employee benefits	937	869
Post-employment benefits	94	83
<b>Total compensation</b>	<b>1 031</b>	<b>952</b>

**Transactions with key management personnel and other related parties**

The Office did not enter into any transactions with key management personnel or their close family members during the reporting period that were not consistent with normal procurement arrangements.

**Office for Recreation, Sport and Racing**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2022*

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**3.2 Committee members**

Members during the 2022 financial year were:

**Boxing and Martial Arts Advisory Committee**

Lorenzo Mazzocchetti (Chair)  
 Allison Goodes  
 Simon Lew  
 Duncan Walker  
 Paula Davies (term expired December 2021)  
 Matthew Dockrill (term expired February 2022)  
 Alexander Wong\*\* (term expired February 2022)  
 Shane Kokotis\* (appointed January 2022)  
 Luisa Rositano\* (appointed February 2022)  
 Margaret Sherlock (appointed January 2022)  
 Matthew Stevens (appointed January 2022)

**Risk and Audit Committee**

Andrew Faulkner (Chair)  
 Nicolle Rantanen Reynolds\*  
 Peter Brass (term expired November 2021)  
 Magdalena Hadji (appointed February 2022)

\* 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.

\*\* Special exception to receive payment as a government employee.

**Committee remuneration**

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

	2022	2021
\$0 - \$19 999	15	18
<b>Total number of members</b>	<b>15</b>	<b>18</b>

The total remuneration received or receivable by members was \$10 902 (2021: \$7 634). Remuneration of members reflects all costs of performing committee duties including sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

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

**Office for Recreation, Sport and Racing**  
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**3.3 Employee benefits expenses**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and wages	6 287	6 403
Employment on-costs - superannuation	715	707
Annual leave	571	562
Employment on-costs - other	369	374
Long service leave	(146)	(218)
Skills and experience retention leave	23	25
Workers compensation	54	38
Targeted voluntary separation payments	140	-
Committee fees	11	7
Other employee related expenses	35	-
<b>Total employee benefits</b>	<b>8 059</b>	<b>7 898</b>

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

**Remuneration of employees**

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

	<b>2022</b>	<b>2021</b>
\$154 001 - \$157 000*	n/a	1
\$157 001 - \$177 000	1	-
\$177 001 - \$197 000	1	-
\$197 001 - \$217 000	2	2
\$257 001 - \$277 000	1	1
<b>Total number of employees</b>	<b>5</b>	<b>4</b>

\* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2020-21.

The total remuneration received by these employees for the year was \$1.057 million (2021: \$0.823 million).

The table includes all employees whose normal remuneration was equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment 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 as well as any termination benefits for employees who have left the Office.

**Targeted voluntary separation packages**

Two employees received a TVSP during the current reporting period (2021: Nil):

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Amounts paid to separated employees:		
Targeted voluntary separation packages	140	-
Leave paid to separated employees	61	-
<b>Net cost to the Office</b>	<b>201</b>	<b>-</b>

**Office for Recreation, Sport and Racing**  
**Notes to and forming part of the financial statements**  
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**3.4 Employee benefits liability**

	2022	2021
	\$'000	\$'000
<b>Current</b>		
Accrued salaries and wages	30	227
Annual leave	696	732
Long service leave	126	153
Skills and experience retention leave	60	55
<b>Total current employee benefits</b>	<b>912</b>	<b>1 167</b>
<b>Non-current</b>		
Long service leave	1 027	1 366
<b>Total non-current employee benefits</b>	<b>1 027</b>	<b>1 366</b>
<b>Total employee benefits</b>	<b>1 939</b>	<b>2 533</b>

Employee benefits accrue 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.

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

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

The annual leave liability and the SERL liability in full 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.

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by DTF has provided a basis for the measurement of long service leave and is based on actuarial assumptions of expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data across government.

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 changed from 1.25% for 2020-21 to 3.50% for 2021-22. 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 actuarial assessment performed by DTF used a salary inflation rate of 2.50% (2021: 2.50%) for the long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

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 \$206 994 and employee benefits expense of \$206 994. 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 current portion of long service leave reflects the Office's past experience of long service leave which is expected to continue in future.

**Office for Recreation, Sport and Racing**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2022*

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**4. Expenses**

**4.1 Supplies and services**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Contractors	1 815	1 065
Corporate Services SLA	875	1 065
Repairs, maintenance and minor equipment purchases	598	1 121
General administration and consumables	572	602
Information technology and communication charges	501	374
Utilities	495	420
Other supplies and services	481	463
Facility management	452	532
Travel	348	305
Insurance fees	160	147
Staff development and recruitment	73	76
Consultants	50	23
Short term leases	-	3
<b>Total supplies and services</b>	<b>6 420</b>	<b>6 196</b>

Other supplies and services includes audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* of \$63 000 (\$2021: \$46 000). No other services were provided by the Auditor-General's Department.

**Consultants**

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

	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>No.</b>	<b>\$'000</b>	<b>No.</b>	<b>\$'000</b>
Below \$10 000	1	3	-	-
Above \$10 000	2	47	1	23
<b>Total paid / payable to the consultants engaged</b>	<b>3</b>	<b>50</b>	<b>1</b>	<b>23</b>

**Office for Recreation, Sport and Racing**  
**Notes to and forming part of the financial statements**  
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**4.2 Grants and subsidies**

	2022	2021
	\$'000	\$'000
<b>Grants and subsidies consist of the following:</b>		
Local Sporting Club Facility Grants	79 311	-
State Basketball Centre	15 200	600
Grassroots Facilities Program	10 000	15 000
Sports Vouchers Subsidies	8 160	8 317
Community Recreation and Sport Facilities Program	5 670	4 328
Regional and Districts Facilities Program	5 000	5 000
Racing Industry Fund	4 740	3 463
Memorial Drive Tennis Centre Redevelopment - Stage 2	3 100	44 000
Sport and Recreation Sustainability Program	2 592	2 544
Other Grants	2 045	1 457
Partnerships Program	2 008	-
State Hockey Centre Upgrade	1 500	-
Subsidies - SA Aquatic and Leisure Centre	1 184	1 155
State Sporting Organisations - COVID-19 Grant Assistance	1 100	-
Active Club Program	1 024	2 494
Subsidies - Parks Community Centre	948	850
Sport and Recreation Development and Inclusion Program	664	2 941
SASI Individual Athlete Program	145	137
Thebarton Oval Redevelopment	-	5 000
Gifford Hill Facility Upgrade	-	5 000
VACSWIM	-	464
<b>Total grants and subsidies</b>	<b>144 391</b>	<b>102 750</b>

**4.3 Net (loss) from the disposal of property, plant and equipment**

	2022	2021
	\$'000	\$'000
<b>Land, buildings and improvements</b>		
Proceeds from disposal	-	-
Net book value of assets disposed	(1 000)	(152)
<b>Net (loss) from disposal of land and buildings</b>	<b>(1 000)</b>	<b>(152)</b>
<b>Plant and equipment</b>		
Proceeds from disposal	14	6
Less net book value of assets disposed	(25)	(16)
<b>Net (loss) from disposal of plant and equipment</b>	<b>(11)</b>	<b>(10)</b>
<b>Total assets:</b>		
Proceeds from disposal of non-current assets	14	6
Net book value of assets disposed	(1 025)	(168)
<b>Net (loss) from disposal of non-current assets</b>	<b>(1 011)</b>	<b>(162)</b>

**Office for Recreation, Sport and Racing**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2022*

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**4.4 Other expenses**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Rates and levies	93	86
Other expenses	151	46
Asset impairment	5	-
Bad and doubtful debts expense	8	2
<b>Total other expenses</b>	<b>257</b>	<b>134</b>

Office for Recreation, Sport and Racing  
Notes to and forming part of the financial statements  
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5. Non-financial assets

5.1 Property, plant and equipment

Reconciliation 2021-22

	Land, buildings and improvements	Plant and equipment	Land, buildings and improvements - leased	Plant and equipment - leased	Work in progress	ROU Buildings	ROU Equipment	ROU Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	89 303	1 012	187 093	679	11 337	160	-	42	289 626
Acquisitions	-	-	-	-	50 038	-	37	2	50 077
Disposals	(41)	(25)	(959)	-	-	-	-	-	(1 025)
Depreciation	(3 595)	(282)	(9 995)	(242)	-	(44)	(3)	(28)	(14 189)
Transfer from works in progress	36 183	66	6 791	155	(43 195)	-	-	-	-
Revaluation increment/(decrement)	37 969	-	25 029	-	-	-	-	-	62 998
Asset impairment	(5)	-	-	-	-	-	-	-	(5)
Assets transferred to held for sale	(24 666)	-	-	-	-	-	-	-	(24 666)
Other movements	(38)	60	(70)	46	1	-	-	-	(1)
<b>Carrying amount at the end of the period</b>	<b>135 110</b>	<b>831</b>	<b>207 889</b>	<b>638</b>	<b>18 181</b>	<b>116</b>	<b>34</b>	<b>16</b>	<b>362 815</b>
<b>Carrying amount</b>									
Gross carrying amount	185 940	2 802	361 882	2 099	18 181	237	37	74	571 252
Accumulated depreciation	(50 830)	(1 971)	(153 993)	(1 461)	-	(121)	(3)	(58)	(208 437)
<b>Carrying amount at the end of the period</b>	<b>135 110</b>	<b>831</b>	<b>207 889</b>	<b>638</b>	<b>18 181</b>	<b>116</b>	<b>34</b>	<b>16</b>	<b>362 815</b>

**Office for Recreation, Sport and Racing**  
**Notes to and forming part of the financial statements**  
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**5.1 Property, plant and equipment (continued)**

Reconciliation 2020-21

	Land, buildings and improvements \$'000	Plant and equipment \$'000	Land, buildings and improvements - leased \$'000	Plant and equipment - leased \$'000	Work in progress \$'000	ROU Buildings \$'000	ROU Vehicles \$'000	Total \$'000
Carrying amount at the beginning of the period	82 108	1 214	197 576	808	4 906	61	56	286 729
Acquisitions	19	15	-	-	11 004	139	20	11 197
Donated assets received	556	-	-	-	-	-	-	556
Disposals	(152)	(16)	-	-	-	-	-	(168)
Depreciation	(2 252)	(303)	(5 833)	(228)	-	(40)	(34)	(8 690)
Transfer from works in progress	3 946	102	428	98	(4 574)	-	-	-
Other movements	5 078	-	(5 078)	1	1	-	-	2
<b>Carrying amount at the end of the period</b>	<b>89 303</b>	<b>1 012</b>	<b>187 093</b>	<b>679</b>	<b>11 337</b>	<b>160</b>	<b>42</b>	<b>289 626</b>
<b>Carrying amount</b>								
Gross carrying amount	161 368	2 867	267 644	1 940	11 337	237	98	445 491
Accumulated depreciation	(72 065)	(1 855)	(80 551)	(1 261)	-	(77)	(56)	(155 865)
<b>Carrying amount at the end of the period</b>	<b>89 303</b>	<b>1 012</b>	<b>187 093</b>	<b>679</b>	<b>11 337</b>	<b>160</b>	<b>42</b>	<b>289 626</b>

Property, plant and equipment with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed. Land is capitalised regardless of value. Property, plant and equipment is recorded at fair value. Details about the Office's approach to fair value is set out in note 10.1.

**Office for Recreation, Sport and Racing**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2022*

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**5.1 Property, plant and equipment (continued)**

***Review of accounting estimates***

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted through the stocktake process on an annual basis and also through a periodic asset revaluation process. Changes in the expected 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.

The Office undertook a revaluation process on its non-current assets as at 1 July 2021, with the fair value of revalued assets increasing. As part of this process, some major building assets were separated into four significant components being, substructure, superstructure, finishes and fittings, and mechanical and building services. As a result, depreciation expenses relating to major building assets has increased, largely reflecting the shorter residual useful lives on some of these components when compared with the pre-componentised asset residual useful life. Other non-componentised building assets were also subject to re-estimates of residual useful lives at 1 July 2021.

The Office estimates an increase in depreciation expenses of approximately \$5.8 million (excluding the impact of additions and disposals in the year) resulting from the impact of increased asset values and re-estimates of residual useful lives.

***Useful life***

Depreciation is calculated on a straight-line basis. Property, plant and equipment depreciation is calculated over the estimated useful life as follows:

<b>Class of asset</b>	<b>Useful life (years)</b>
Buildings and Improvements	2 - 105
Plant and equipment	2 - 30
Right-of-use buildings	Life of lease
Right-of use equipment	Life of lease
Right-of-use vehicles	Life of lease

***Property, plant and equipment leased by the Office as lessor***

Leases are classified as operating leases, as they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The majority of leases are typically made for terms of 5 years or less.

As lessor, the Office has the following lease arrangements:

- The SA Aquatic and Leisure Centre at Oaklands Park, and the Parks Recreation and Sports Centre at Angle Park are subject to operation and management agreements. The Office recognises an expense for amounts paid under the agreement, and recognises income when facility operating profits exceed a specified benchmark. Refer to note 2.7 for further detail.
- An operations and management agreement at Hindmarsh Stadium.
- Tenancy and management agreements at Kidman Park, SA Athletics Stadium, State Shooting Park, Heini Becker Park, Monarto Shooting Park, Hindmarsh Heritage Precinct and Adelaide SuperDrome.
- A number of tenancy and management agreements made on concessional terms to sporting organisations located at Kidman Park, the State Hockey Centre, Netball SA Stadium, the Parks, the Southern Sports Complex, and at West Lakes.

Refer to note 2.2 for operating lease income.

**Office for Recreation, Sport and Racing**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2022*

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**5.1 Property, plant and equipment (continued)**

***Property, plant and equipment leased by the Office as lessee***

Right of use assets leased by the Office as lessee are measured at cost, and there were no indications of impairment.

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed in note 4.1.

The lease liabilities and interest expense related to the right-of-use assets are disclosed in note 7.2. Depreciation expenses related to leases are disclosed in note 5.1. Cash outflows related to leases are disclosed in note 8.2.

The Office has several leases:

- Motor vehicle leases with Fleet SA, a division of the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from 3 years (60,000km) up to 5 years (100,000km). No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.
- Four rowing-related storage and other spaces. These leases have been prepaid and end in mid-2023, mid-2024, January 2031.
- A lease for office space and gymnasium access. Lease payments are paid annually, with the lease ending in mid-2024.
- A lease for strength and conditioning equipment. Lease payments are paid annually, with the lease ending in March 2025.

**Concessional leases**

The Office also has several concessionary leases, which are measured at cost in accordance with Treasurer's Instructions (Accounting Policy Statements):

- **Recreational Walking Trails:** The Office has been granted access to sections of privately owned land, over which walking trails have been established. The trails are for use by members of the public for recreational purposes. The leases are for 5 year terms, with only a single nominal payment to be made (\$1.10), if required by the landowner.
- **Storage Bays:** The Office has been granted a concessionary lease over two sporting equipment storage bays. The lease of the bays is to allow access to on site sporting equipment for athletes. The lease is for 20 years, expiring in April 2023. No consideration is payable.

Access to the above leased assets allows the Office to further its objectives, and without the agreements being made on concessionary terms, additional costs may be incurred.

**Office for Recreation, Sport and Racing**  
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**5.2 Intangible Assets**

	2022	2021
	\$'000	\$'000
<b>Software</b>		
Computer software	137	-
Accumulated amortisation	(1)	-
<b>Total computer software</b>	<u>136</u>	<u>-</u>
<b>Total intangibles</b>	<u>136</u>	<u>-</u>
		<b>\$'000</b>
<b>Carrying amount at the beginning of the period</b>		-
Acquisitions		137
Amortisation		<u>(1)</u>
<b>Carrying amount at the end of the period</b>		<u>136</u>

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The acquisition of computer software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$10 000.

Computer software assets relate to the Office's Sports Vouchers system and database, which was ready for use on 30 June 2022. The remaining useful life is 10 years, and a straight line amortisation basis has been adopted.

**5.3 Assets classified as held for sale**

	2022	2021
	\$'000	\$'000
Land and buildings	24 666	-
<b>Total non-current assets classified as held for sale</b>	<u>24 666</u>	<u>-</u>

Land and building assets at two metropolitan Adelaide locations were classified as held for sale in the year. Terms of sale were agreed with the purchaser and formal agreements to effect the sales are anticipated to be executed in the coming year.

The Office has measured the land and buildings held for sale at their carrying amounts.

**Office for Recreation, Sport and Racing**  
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**6. Financial assets**

**6.1 Cash and cash equivalents**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Deposits with the Treasurer (Special deposit accounts)</b>		
Office for Recreation, Sport and Racing Operating Account	88 908	35 588
<b>Total cash and cash equivalents</b>	<b>88 908</b>	<b>35 588</b>

Cash is measured at nominal amounts. The SA Government has a policy to align agency cash balances with appropriation and expenditure authority (cash alignment policy).

The Office does not earn interest on its deposits with the Treasurer.

**6.2 Receivables**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current:</b>		
Receivables	2 601	145
Less impairment loss on receivables	(8)	(1)
	<b>2 593</b>	<b>144</b>
GST input tax receivable	1 270	1 395
Prepayments	23 749	30 501
<b>Total current receivables</b>	<b>27 612</b>	<b>32 040</b>
<b>Non-current:</b>		
Prepayments	2	13 505
Receivables	2	1
<b>Total non-current receivables</b>	<b>4</b>	<b>13 506</b>
<b>Total receivables</b>	<b>27 616</b>	<b>45 546</b>

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

Other than as recognised in the allowance for impairment loss on receivables, 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 10.2 for further information on risk management.

Prepayments largely relate to a transfer of \$45 million to Adelaide Venue Management Corporation for delivery of upgrade works at Hindmarsh Stadium, which is a venue owned by the Office. The prepayment balance is amortised as upgrade works are completed, and work in progress is recognised by the Office.

**Office for Recreation, Sport and Racing**  
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**6.2 Receivables (continued)**

The Office has adopted the simplified impairment approach under AASB 9 and measured lifetime expected credit losses on all trade receivables using an allowance matrix as a practical expedient to measure the impairment allowance.

**Allowance for impairment loss on receivables**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Carrying amount at the beginning of the period</b>	1	1
Increase/(decrease) in the allowance	7	-
<b>Carrying amount at the end of the period</b>	<b>8</b>	<b>1</b>

Impairment losses relate to receivables arising from contracts with customers that are external to SA Government. Refer to note 10.2 for details regarding credit risk and the methodology for determining impairment.

**Office for Recreation, Sport and Racing**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2022*

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**7. Liabilities**

**7.1 Payables**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Creditors	60 553	16 834
Employment on-costs	177	173
<b>Total current payables</b>	<b>60 730</b>	<b>17 007</b>
<b>Non-current</b>		
Employment on-costs	99	128
<b>Total non-current payables</b>	<b>99</b>	<b>128</b>
<b>Total payables</b>	<b>60 829</b>	<b>17 135</b>

Payables are measured at nominal amounts.

Creditors and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Statutory payables do not arise from contracts.

***Employment on-costs***

Employment on-costs include payroll tax, ReturntoWorkSA levies and superannuation contributions and are settled when the respective employee benefits that they relate to are discharged.

The Office 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 the reporting date relates to any contributions due but not yet paid to the 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 remained unchanged from the 2021 rate of 42% and the average factor for the calculation of employer superannuation cost on-costs has changed to 10.6% (2021: 10.1%). These rates are used in the employment on-cost calculation. The impact on 2022 is immaterial and cannot be reliably estimated for future years.

**7.2 Financial liabilities**

All financial liabilities relate to leases.

Lease liabilities have been measured via discounting lease payments using either the interest rate implicit in the lease (where it is readily determined) or DTF's incremental borrowing rate. Financing costs associated with leasing activities was \$299 (2021: \$900). There were no defaults or breaches on any of the above liabilities throughout the year. All material cash outflows are reflected in the lease liabilities disclosed below.

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Lease liabilities</b>		
Within one year	49	53
Later than one year but not later than five years	46	67
<b>Total lease liabilities</b>	<b>95</b>	<b>120</b>

**Office for Recreation, Sport and Racing**  
**Notes to and forming part of the financial statements**  
*For the year ended 30 June 2022*

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**7.3 Provisions**

All provisions relate to workers compensation.

	2022	2021
	\$'000	\$'000
<b>Current</b>		
Provision for workers compensation	32	26
<b>Total current provisions</b>	<b>32</b>	<b>26</b>
<b>Non-current</b>		
Provision for workers compensation	93	63
<b>Total non-current provisions</b>	<b>93</b>	<b>63</b>
<b>Total provisions</b>	<b>125</b>	<b>89</b>
	2022	2021
	\$'000	\$'000
<b>Reconciliation of workers compensation</b>		
Carrying amount at the beginning of the period	89	72
Additional provisions recognised	36	17
<b>Carrying amount at the end of the period</b>	<b>125</b>	<b>89</b>

**Provision for workers compensation**

The Office is an exempt employer under the *Return to Work Act 2014*. Under a scheme arrangement, the Office 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.

Accordingly, a liability has been reported to reflect unsettled workers compensation claims (statutory and additional compensation schemes).

The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2022 provided by a consulting actuary engaged through the Office of the Commissioner of Public Sector Employment.

The additional compensation scheme provides continuing benefits to workers who have suffered eligible work-related injuries and whose entitlements have ceased under the statutory workers compensation scheme. Eligible injuries are nonserious injuries sustained in circumstances which involved, or appeared to involve, the commission of a criminal offence, or which arose from a dangerous situation.

There is a significant degree of uncertainty associated with estimating future claim and expense payments. The liability is impacted by agency claim experience relative to other agencies, average claim sizes and other economic and actuarial assumptions.

In addition to these uncertainties, the additional compensation scheme is impacted by the limited claims history and the evolving nature of the interpretation of, and evidence required to meeting, eligibility criteria. Given these uncertainties, the actual cost of additional compensation claims may differ materially from the estimate.

**Office for Recreation, Sport and Racing**  
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**7.4 Other liabilities**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Unearned income received to construct non-financial assets</b>		
Opening balance	1 418	1 457
Funds received from grantees	1 200	-
Amounts recognised as income	(143)	(39)
<b>Closing balance</b>	<b>2 475</b>	<b>1 418</b>
Other liabilities	2	2
<b>Total other liabilities</b>	<b>2 477</b>	<b>1 420</b>

Unearned income of \$2.475 million (2021: \$1.418 million) relates grants that were received from the Commonwealth Government and a national sporting organisation for capital upgrades at one of the Office's sporting facilities. Income is recognised on the percentage of completion basis, as the upgrades are delivered (refer to note 2.3). A total of \$2.7 million in cash was granted to the Office.

**Office for Recreation, Sport and Racing**  
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**B. Other disclosures**

**B.1 Equity**

The asset revaluation surplus is used to record increments and decrements in the fair value of property and plant and equipment to the extent that they offset one another.

**B.2 Cash flow reconciliation**

	2022 \$'000	2021 \$'000
<b>Reconciliation of cash and cash equivalents at the end of the reporting period</b>		
Cash and cash equivalents disclosed in the Statement of Financial Position	88 908	35 588
<b>Balance as per the Statement of Cash Flows</b>	<b>88 908</b>	<b>35 588</b>
<b>Reconciliation of net cash provided by operating activities to net cost of providing services</b>		
Net cash provided by operating activities	86 175	48 396
<b>Add / (less) non-cash items</b>		
Depreciation and amortisation expense	(14 190)	(8 690)
Impairment of non-current assets	(5)	-
Resources received free of charge	204	655
Bad and doubtful debts expense	(8)	-
Loss on disposal of property, plant and equipment	(1 011)	(168)
Other expenses	(204)	(99)
<b>Movement in assets and liabilities</b>		
Increase / (decrease) in receivables	2 353	(850)
(Increase) / decrease in payables	(46 600)	(5 529)
(Increase) / decrease in employee benefits	594	370
(Increase) / decrease in provisions	(36)	(17)
(Increase) / decrease in contract liabilities	(125)	-
Increase / (decrease) in other financial assets	-	(21)
(Increase) / decrease in other liabilities	(1 057)	37
<b>Net result</b>	<b>26 090</b>	<b>34 084</b>

Total cash outflows for leases was \$78 727 (2021: \$170 273).

**Office for Recreation, Sport and Racing**  
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**9. Outlook**

**9.1 Unrecognised commitments**

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

**Capital commitments**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Within one year	10 209	30 598
Later than one year but not later than five years	-	666
<b>Total capital commitments</b>	<b>10 209</b>	<b>31 264</b>

Capital commitments predominantly relate to upgrade works at several of the Office's major sporting facilities.

**Expenditure commitments**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Within one year	3 618	5 706
Later than one year but not later than five years	1 628	3 337
Later than five years	720	960
<b>Total expenditure commitments</b>	<b>5 966</b>	<b>10 003</b>

Expenditure commitments predominantly relate to the management of the SA Aquatic & Leisure Centre, the Parks Community Centre, and Grant programs.

**9.2 Expected rental income**

The below table sets out a maturity analysis of operating lease payments receivable, showing the undiscounted lease payments to be received after the reporting date. The amounts are not recognised as assets.

See note 5.1 for information about land, buildings and property, plant and equipment the office leases out under operating leases.

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Within one year	253	372
Later than one year but not longer than two years	233	225
Later than two year but not longer than three years	245	208
Later than three years but not longer than four years	64	218
Later than four years but not longer than five years	45	33
Later than five years	199	202
<b>Total operating lease income</b>	<b>1 039</b>	<b>1 258</b>

**Office for Recreation, Sport and Racing**  
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**9.3 Contingent assets and liabilities**

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.

The following is a contingent liability of the Office:

- Pending Legal Action: The Office is the subject of legal action seeking compensation for injury from a former athlete. The financial impact is not able to be reliably estimated.

The following are contingent assets of the Office:

- Returned grant funds: The Office issues grants to a range of recipients for the purposes of supporting sport and recreation outcomes. Typically, an amount of grant funds are returned to the Office each year, reflecting instances where a grant has not been fully acquitted, or where grantees are unable to comply with the conditions of the grant agreement. The financial impact is not able to be reliably estimated.
- Leasehold improvements: Improvements made by lessees become property of the Office upon termination or expiry of a lease, as is typical of such arrangements. The financial impact is not able to be reliably estimated, and is dependent on factors including lease renewals, and condition of leasehold improvements on transfer to the Office.
- Pending Legal Action: The Office is involved in a pending legal action seeking compensation from the manufacturer of building materials for cost of replacement which may result in a settlement. The financial impact is not able to be reliably estimated.

**9.4 Impacts of standards and statements not yet effective**

The Office continues to assess the impact of the new and amended Australian Accounting Standards and Interpretations not yet implemented and changes to the Accounting Policy Statements issued by the Treasurer. Indications are that no material changes will be required on initial application.

Amending Standard AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current* will apply from 1 July 2023. The Office continues to assess liabilities (e.g. LSL) and whether or not the Office has a substantive right to defer settlement. Where applicable, these liabilities will be classified as current.

**9.5 COVID-19 pandemic outlook for the Office**

To minimise disruption to the Office's operations, staff can transition to a working from home arrangement should the need arise.

As a result of the COVID-19 pandemic, the Government of South Australia had activated the Public Sector Mobilisation Policy in March 2020. Mobilised staff assist with COVID-19 management activities in support of the COVID-19 response. The Office had participated in the response, though no staff are expected to be mobilised in future periods.

**9.6 Events after the reporting period**

The Office is not aware of any after balance date events.

**Office for Recreation, Sport and Racing**  
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**10. Measurement and risk**

**10.1 Fair value**

***Initial recognition***

Non-current owned tangible assets are initially recorded on a cost basis and subsequently measured at fair value. Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. Where assets are acquired 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.

***Revaluation***

Revaluation of non-current assets or a group of assets is only performed when the owned assets fair value at the time of acquisition is greater than \$1.5 million and estimated useful life exceeds three years.

Revaluation is undertaken on a six year cycle, with the last revaluation effective 1 July 2021. 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.

When assets are revalued, the carrying amount is adjusted to the revalued amount. At the date of the revaluation the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

As a result of the latest revaluation, the increase in the carrying amount of the Office's land and building assets is recognised on a net basis in other comprehensive income and accumulated in equity under the heading of revaluation surplus.

***Fair value hierarchy***

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

The Office had no valuations categorised into Level 1 and there were no transfers of assets between Level 1 and Level 2 categories.

***Fair value classification – non-financial assets at 30 June 2022***

	Note	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements</b>				
Land, buildings and improvements	5.1	141 926	201 073	342 999
Plant and equipment	5.1	-	1 469	1 469
<b>Total recurring fair value measurements</b>		<b>141 926</b>	<b>202 542</b>	<b>344 468</b>
<b>Total fair value measurements</b>		<b>141 926</b>	<b>202 542</b>	<b>344 468</b>

**Office for Recreation, Sport and Racing**  
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**10.1 Fair value (continued)**

***Fair value classification – non-financial assets at 30 June 2021***

	Note	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements</b>				
Land, buildings and improvements	5.1	120 372	156 024	276 396
Plant and equipment	5.1	-	1 691	1 691
<b>Total recurring fair value measurements</b>		<b>120 372</b>	<b>157 715</b>	<b>278 087</b>
<b>Total fair value measurements</b>		<b>120 372</b>	<b>157 715</b>	<b>278 087</b>

***Land and buildings***

An independent valuation of land and buildings was performed as at 1 July 2021, by a Certified Practising Valuer from Marsh, and endorsed by the Valuer-General.

Fair value of land has been determined using the market approach. The valuation was based on recent market transactions for similar land in the area and includes adjustment for factors specific to the land such as size and location. For land which is restricted in use, zoning or is encumbered otherwise, adjustments were applied in determining value.

The fair value of buildings was determined using current replacement cost, due to there not being an active market to support a market based approach. The current replacement cost considered the specialised nature and restricted use of the assets, their size, condition, age, location and obsolescence.

The valuation used estimates about construction materials that would be required to replace the buildings, information about current construction costs that were derived from building costs guides, and actual costs for recent construction projects.

***Plant and equipment***

All items of plant and equipment had a fair value at the time of acquisition less than \$1.5 million and had an estimated useful life between two years and thirty years. Plant and equipment has not been revalued in accordance with Treasurer's Instructions (Accounting Policy Statements) 116.D. The carrying value of these items are deemed to approximate fair value.

**Office for Recreation, Sport and Racing**  
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**10.1 Fair value (continued)**

*Reconciliation of Level 3 recurring fair value measurements at 30 June 2022*

	Land, buildings and improvements \$'000	Plant and equipment \$'000	Total \$'000
Carrying amount at the beginning of the period	156 024	1 691	157 715
Disposals	(1 000)	(25)	(1 025)
Transfer from works in progress	42 974	221	43 195
Asset impairment	(5)	-	(5)
Assets transferred to held for sale	(4 982)		(4 982)
Other movements	(108)	106	(2)
<b>Gains/(losses) for the period recognised in net result:</b>			
Depreciation	(13 590)	(524)	(14 114)
<b>Total losses recognised in net result</b>	<b>(13 590)</b>	<b>(524)</b>	<b>(14 114)</b>
Gains recognised in other comprehensive income (OCI)			
Revaluation increments	21 760	-	21 760
Total gains recognised in OCI	<b>21 760</b>	<b>-</b>	<b>21 760</b>
<b>Carrying amount at the end of the period</b>	<b>201 073</b>	<b>1 469</b>	<b>202 542</b>

*Reconciliation of Level 3 recurring fair value measurements at 30 June 2021*

	Land, buildings and improvements \$'000	Plant and equipment \$'000	Total \$'000
Carrying amount at the beginning of the period	159 312	2 022	161 334
Acquisitions	19	15	34
Donated assets received	556	-	556
Disposals	(152)	(16)	(168)
Transfer from works in progress	4 374	200	4 574
Other movements	-	1	1
<b>Gains/(losses) for the period recognised in net result:</b>			
Depreciation	(8 085)	(531)	(8 616)
<b>Total losses recognised in net result</b>	<b>(8 085)</b>	<b>(531)</b>	<b>(8 616)</b>
<b>Carrying amount at the end of the period</b>	<b>156 024</b>	<b>1 691</b>	<b>157 715</b>

**Office for Recreation, Sport and Racing**  
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**10.2 Financial instruments**

***Financial risk management***

Risk management is managed by the Office's corporate services section. Risk management policies are in accordance with the *SA Government Risk Management Guide* issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*.

The Office'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 Office is funded principally from appropriation by the SA Government. The Office works with DTF to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

***Credit risk***

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

No collateral is held as security and no credit enhancements relate to financial assets held by the Office.

***Impairment of financial assets***

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. The Office uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which typically comprise a large number of small balances.

To measure the expected credit losses, receivables are grouped based on shared risks characteristics and the days past due. When estimating expected credit loss, the Office considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Office's historical experience and informed credit assessment, including forward-looking information.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Office is exposed to credit risk.

The expected credit loss of South Australian Government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

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**10.2 Financial instruments (continued)**

The following table provides information about the exposure to credit risk and ECL for non-government debtors.

	Debtor gross carrying amount	Loss %	Lifetime expected losses
	\$'000		\$'000
<b>2021-22</b>			
Current (not past due)	889	0.03%	-
1 - 30 days past due	108	0.09%	-
31 - 60 days past due	367	0.29%	1
61 - 90 days past due	802	0.73%	6
More than 90 days past due	64	1.96%	1
<b>Total</b>	<b>2 230</b>		<b>8</b>

Loss rates are based on actual history of credit loss, these rates have been adjusted to reflect differences between previous economic conditions, current conditions and the Office's view of the forecast economic conditions over the expected life of the receivables.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the Office and a failure to make contractual payments for a period of greater than 120 days past due.

No receivables were written off during the year.

The Office considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

**Market risk**

The Office does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. The Office 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*.

Exposure to interest rate risk may arise through its interest bearing liabilities.

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

**Categorisation of financial instruments**

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

**Classification of financial instruments**

The Office measures all financial instruments at amortised cost.

**Office for Recreation, Sport and Racing**  
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**11. Administered items**

The Office has administrative responsibility for the Sport and Recreation Fund and the Recreation and Sport Fund.

***Sport and Recreation Fund***

The Sport and Recreation Fund was established under section 73A (1) of the *Gaming Machines Act 1992* (the Act). The use of the Fund is governed by section 73A (3) of the Act, which states the funds must be used for recreation and sport purposes. Funds are transferred to the Office to fund grant programs consistent with Act requirements.

***Recreation and Sport Fund***

The Recreation and Sport Fund was established by section 17 of the *Soccer Football Pools Act 1981*. This Act has since been repealed. The continued existence of the Recreation and Sport Fund is attributable to section 16A (1) of the *State Lotteries Act 1966*. The use of the Recreation and Sport Fund is governed by 16A (2) of the *State Lotteries Act 1966*, which states the funds must be used for recreation and sport purposes. Amounts received into the Recreation and Sport Fund was based on a percentage share of the "Pools" lotto game. The "Pools" was discontinued after the final draw on 25 June 2018.

	2022	2021
	\$'000	\$'000
<b>Administered Income</b>		
Advances and grants - Sport and Recreation Fund	4 524	4 500
<b>Total administered income</b>	<u>4 524</u>	<u>4 500</u>
<b>Administered Expenses</b>		
Intra government transfer - Sport and Recreation Fund	4 524	4 500
<b>Total administered expenses</b>	<u>4 524</u>	<u>4 500</u>
<b>Net result</b>	<u>-</u>	<u>-</u>
<b>Administered Current Assets</b>		
Cash and cash equivalents		
Sport and Recreation Fund	3 322	3 322
Recreation and Sport Fund	1 544	1 544
<b>Total current assets</b>	<u>4 866</u>	<u>4 866</u>
<b>Total assets</b>	<u>4 866</u>	<u>4 866</u>
<b>Net assets</b>	<u>4 866</u>	<u>4 866</u>
<b>Administered Equity</b>		
Retained earnings		
Sport and Recreation Fund	3 322	3 322
Recreation and Sport Fund	1 544	1 544
<b>Total equity</b>	<u>4 866</u>	<u>4 866</u>