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Government
of South Australia

Report

of the

Auditor-General

Annual Report

for the

year ended 30 June 2013

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Part B: Agency audit reports

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Part B

References to matters of significance

Issues of importance that are included in this Part of this Report include matters that arose during the course of audit that have been referred to senior agency management and other matters that are of public interest.

Those matters that are regarded as being more significant are listed below. This list is not exhaustive as many other issues are reported in Part B of this Report.

Reference should also be made to Part A – Audit overview which also contains comments on specific matters of importance and interest.

Health Services Charitable Gifts Board

Functional responsibility

Establishment

The Health Services Charitable Gifts Board (the Board) is established pursuant to the *Health Services Charitable Gifts Act 2011* (the HSCG Act). The HSCG Act was proclaimed on 30 June 2011 for commencement on 1 July 2011. The *Public Charities Funds Act 1935* was consequently repealed, however the operations of the Commissioners of Charitable Funds have continued in existence as the Health Services Charitable Gifts Board.

Functions

The functions of the Board are to prudently manage the charitable assets vested in the Board and apply these assets for the benefit of public health entities or otherwise in accordance with the HSCG Act. Note 1 to the financial statements provides further explanation regarding the Board's functions and responsibilities. In addition, note 18 discloses details of trust funds held on behalf of public health entities at 30 June 2013.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA and section 29(2) of the HSCG Act provide for the Auditor-General to audit the accounts of the Board for each financial year.

Assessment of controls

Section 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an opinion to be formed with respect to the financial report and internal controls.

During 2012-13, specific areas of audit attention included:

- gifts vesting in the Board
- investment income
- administration expenses
- application of funds for public health entities.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Health Services Charitable Gifts Board as at 30 June 2013, 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.

Assessment of controls

In my opinion, the controls exercised by the Health Services Charitable Gifts Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, are sufficient to provide reasonable assurance that the financial transactions of the Health Services Charitable Gifts Board have been conducted properly and in accordance with law.

Communication of audit matters

The audit did not identify any notable matters requiring formal communication to the Board.

Interpretation and analysis of the financial report

Highlights of the financial report

	2013 $'million	2012 $'million
Income		
Trust funds income	5.0	7.0
Investment income	6.2	5.6
Total income	11.2	12.6
Expenses		
Administration expenses	0.5	0.5
Application of funds for public health entities	7.6	7.9
Total expenses	8.1	8.4
Net profit	3.1	4.2
Other comprehensive income	3.2	-
Total comprehensive result	6.3	4.2
Net cash provided by (used in) operating activities	3.6	5.2
Assets		
Current assets	42.7	46.8
Non-current assets	56.5	46.7
Total assets	99.2	93.5
Liabilities		
Current liabilities	0.1	0.7
Total liabilities	0.1	0.7
Total equity	99.1	92.8

Statement of Comprehensive Income

The Board recorded a net profit and total comprehensive result of $6.3 million ($4.2 million). In 2012-13 there was a $1.4 million decrease in total income, reflecting mainly a decrease in gift trust income of $2 million. There was also a $278 000 decrease in total expenses, due to a reduction in funds provided to public health entities for the purchase of equipment.

The Board is reliant on receiving of gifts for public health entities and receiving of claims for application of the funds held. Therefore the amounts of revenue and expenditure are expected to vary from year to year.

Statement of Financial Position

Assets and liabilities

The Board's main assets consist of short-term deposits of $41 million ($38 million), investment properties of $34 million ($34 million) and shareholdings of $23 million ($17 million). There are no material liabilities recognised by the Board.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2013.

	2013 $'million	2012 $'million	2011 $'million	2010 $'million
Net cash flows				
Operating	3.6	5.2	5.9	2.4
Investing	12.7	3.7	(3.7)	(6.6)
Change in cash	16.3	8.9	2.2	(4.2)
Cash at 30 June	37.2	20.9	12.1	9.9

The analysis of cash flows shows that the increase in cash held of $16 million is mainly due to an increase of $9 million in proceeds from the sale/maturity of investments.

Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Income:			
Trust funds:			
Gifts to public health entities vesting in the Health Services Charitable Gifts Board		4 742	6 730
Revenue from Helpmann Family Foundation	1.3	227	229
		4 969	6 959
Investment of funds:			
Interest revenue		1 924	2 398
Dividends and trust distributions		1 008	845
Imputation credits	2(f)	397	333
Rental revenue	15	2 794	2 987
Net gain (loss) from disposal of investments	5	73	(1 282)
Net gain from the disposal of investment properties	6	27	-
Property revaluation	2(n),15	13	333
Other revenue		16	9
		6 252	5 623
Total income		11 221	12 582
Expenses:			
Administration expenses:			
Administration costs	7	159	179
Accounting fees	8	20	21
Auditors remuneration	9	42	29
Commissioners remuneration	10	52	52
Consultancy fees	11	5	-
Investment property expenses	15	231	234
Other		29	16
		538	531
Application of funds for public health entities:			
Research, equipment, patient amenities and other approved expenses of public health entities		7 553	7 838
Total expenses		8 091	8 369
Net profit		3 130	4 213
Other comprehensive income:			
Financial asset revaluations taken to equity		3 217	(1 294)
Revaluation adjustments on financial assets		(69)	1 271
Net gain (loss) on financial assets taken to equity		3 148	(23)
Net profit and total comprehensive result		6 278	4 190

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets:			
Cash and cash equivalents	12	37 187	20 929
Other financial assets	13	3 700	19 272
Receivables	14	911	1 627
Investment properties held for sale	15	900	4 975
Total current assets		42 698	46 803
Non-current assets:			
Other financial assets	13	23 555	17 614
Investment properties	15	32 910	29 095
Total non-current assets		56 465	46 709
Total assets		99 163	93 512
Current liabilities:			
Payables	16	96	111
Other current liabilities	17	12	559
Total current liabilities		108	670
Total liabilities		108	670
Net assets		99 055	92 842
Trust funds:			
Trust funds		95 935	92 870
Revaluation surplus (deficit)		3 120	(28)
Retained earnings		-	-
Total trust funds	18	99 055	92 842
Unrecognised contractual commitments	21		
Contingent assets and liabilities	22		

Statement of Changes in Equity
for the year ended 30 June 2013

	Note	Trust funds $'000	Revaluation surplus $'000	Retained earnings $'000	Total trust funds $'000
Balance at 30 June 2011		94 205	(98)	-	94 107
Ray & Shirl Norman Cancer Research Trust transferred	1.1	(4 989)	93	-	(4 896)
Restated balance at 30 June 2011		89 216	(5)	-	89 211
Gain (Loss) on revaluation of investments	2(m)	-	(1 294)	-	(1 294)
Realised investment revaluation transferred		-	1 271	-	1 271
Net income recognised directly in equity for 2011-12		-	(23)	-	(23)
Net profit for 2011-12		-	-	4 213	4 213
Total comprehensive result for 2011-12		-	(23)	4 213	4 190
Net profit (loss) distributed to trust funds		4 213	-	(4 213)	-
Amounts transferred to payables:					
Metropolitan Domiciliary Care Services	1.1,17	(497)	-	-	(497)
Intellectual Disability Services Council Inc	1.1,17	(62)	-	-	(62)
		(559)	-	-	(559)
Total change for the period		3 654	(23)	-	3 631
Balance at 30 June 2012		92 870	(28)	-	92 842
Gain (Loss) on revaluation of investments	2(m)	-	3 217	-	3 217
Realised investment revaluation transferred		-	(69)	-	(69)
Net income recognised directly in equity for 2012-13		-	3 148	-	3 148
Net profit for 2012-13		-	-	3 130	3 130
Total comprehensive result for 2012-13		-	3 148	3 130	6 278
Net profit (loss) distributed to trust funds		3 065	-	(3 065)	-
Amounts transferred to payables:					
Metropolitan Domiciliary Care Services	1.1,17	-	-	(48)	(48)
Intellectual Disability Services Council Inc	1.1,17	-	-	(17)	(17)
		3 065	-	(3 130)	(65)
Total change for the period		3 065	3 148	-	6 213
Balance at 30 June 2013		95 935	3 120	-	99 055

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash inflows:			
Rent		3 361	2 967
Dividends and trust distributions		1 008	844
Imputation credits		332	423
Interest		2 545	2 764
Other income		26	-
Helpmann Family Foundation		227	229
Donations to public health entities vesting in the Board		4 565	6 572
Cash generated from operations		12 064	13 799
Cash outflows:			
Supplies and services		(562)	(539)
Research, equipment, patient amenities and other approved expenses of public health entities		(7 666)	(7 816)
GST paid to the ATO		(279)	(247)
Cash used in operations		(8 507)	(8 602)
Net cash provided by (used in) operating activities	19	3 557	5 197
Cash flows from investing activities:			
Cash inflows:			
Proceeds from the sale of investment property		306	-
Proceeds from the sales/maturity of investments		17 015	7 867
Cash generated from investing activities		17 321	7 867
Cash outflows:			
Purchase of investment properties		(7)	-
Purchase of investments		(3 989)	(3 630)
Payment to Ray & Shirl Norman Cancer Research Trust		-	(561)
Payments to Intellectual Disability Services Council Inc	1.1,17	(79)	-
Payments to Metropolitan Domiciliary Care Services	1.1,17	(545)	-
Cash used in investing activities		(4 620)	(4 191)
Net cash provided by (used in) investing activities		12 701	3 676
Net increase (decrease) in cash and cash equivalents		16 258	8 873
Cash and cash equivalents at 1 July		20 929	12 056
Cash and cash equivalents at 30 June	12	37 187	20 929

Notes to and forming part of the financial statements

1. Objectives of the Health Services Charitable Gifts Board (the Board)

The *Health Services Charitable Gifts Act 2011* (the Act) was proclaimed on 30 June 2011 for commencement on 1 July 2011. The *Public Charities Funds Act 1935* (the old Act) was consequentially repealed, however the operations of the Commissioners of Charitable Funds (Commissioners) continued in existence as the Health Services Charitable Gifts Board.

Pursuant to the Act, prescribed gifts made to or received by public health entities (as defined in the Act and Regulations) vest in the Board. A prescribed gift means property given to a public health entity. Such gifts form part of the charitable assets which the Board prudentially manage and apply for the benefit of public health entities.

1. Objectives of the Health Services Charitable Gifts Board (the Board) (continued)

These financial statements have been prepared in accordance with the requirements of the Act. Comparative figures, unless otherwise indicated, have not been adjusted.

1.1 Vesting of gifts

On the commencement of the Act all property previously vested in the Commissioners formed part of the charitable assets of the Board.

The transitional provisions of the Act require the Board to transfer funds held for the Intellectual Disability Services Council Inc and Metropolitan Domiciliary Care Services to the responsible Minister on request. Such a request was received during the year and payment in full was made during May 2013 of all amounts held on behalf of the above bodies. Up until the time of payment the funds held were administered as if they were vested funds not withstanding their disclosure as current liabilities in the prior year.

The Act enables the Board to act as trustee or co-trustee of a trust where the Board is named or otherwise asked to act in those roles. In the previous financial year the Board was appointed as trustee of the Ray & Shirl Norman Cancer Research Trust (Norman Trust). As the assets have not vested in the Board the operations of the Norman Trust are reported separately from those of the Board. This separation was implemented in the previous financial year.

The Act provides the Governor with the power to nominate additional public health entities by proclamation. Such proclamation was made on 28 June 2012 nominating the following as public health entities for the purposes of the Act:

- Lyell McEwin Hospital
- Flinders Medical Centre
- Repatriation General Hospital
- Noarlunga Hospital
- Women's and Children's Hospital
- MedSTAR (SA Ambulance Service)

During the current financial year funds have been received from some of these organisations.

1.2 Investment of funds

The Act rectifies many of the deficiencies and limitations of the old Act particularly in relation to the investment powers of the Board. Included in the transitional provisions is a clause which confirms that past acts under the old Act are to be treated as being valid which resolves the issues referred to in prior years.

The Board has all the powers of a natural person that are capable of being exercised by a body corporate. It is able to determine appropriate investment strategies to apply. The old Act, by comparison, had very limited investment powers.

Pursuant to section 23 of the Act, the Board meets regularly with the public sector employee who has been nominated by the Minister. Acting on a suggestion arising from a meeting the Board agreed to engage a consultant with expertise to assist the Board with a review to strengthen and improve the Board's investment policies.

1.3 Helpmann Family Foundation

The income received from the Helpmann Family Foundation has been recorded separately in the Statement of Comprehensive Income as none of the assets contained in the S M and M G Helpmann Estates have been received by the Board but remain assets of the trustees of the Foundation.

When the current Act commenced the Board formally assumed its role as co-trustee of the S M Helpmann Estate. Subsequent advice obtained from the Crown Solicitor was that the Board should not act in this role. The Board has accepted that advice and taken steps to withdraw as co-trustee.

1.4 Norman Trust

The Board was appointed as sole trustee of the Norman Trust on 21 September 2011 by way of orders from the Supreme Court of South Australia.

The assets have not vested in the Board but are administered by it as trustee in accordance with the terms of the document establishing the Norman Trust.

Included in these financial statements is the special purpose financial report for the Norman Trust for the year ended 30 June 2013.

2. Summary of significant accounting policies

(a) Statement of compliance

The Board has prepared these financial statements in compliance with section 23 of the PFAA.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provisions of the PFAA.

The Board has applied AASs that are applicable.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2013 (refer note 4).

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Board's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in this financial report:

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

  (b) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

The Board'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 historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

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

The Board has been granted exemption from APS 2.1 contained within APF IV which requires that financial assets be reported at cost. As a result the Board continues to report its financial assets at market value as this is considered to be appropriate given the nature of the activities of the Board and the users of the financial statements.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented.

(c) Reporting entity

The financial report covers the Board as an individual reporting entity. The Board was established pursuant to the Act.

(d) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where a specific accounting standard and/or APS 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 statement for the preceding period.

(e) Rounding

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

(f) Taxation and imputation credits

The Board is exempt from income tax and has been issued with deductible gift recipient status by the ATO. As a result, a donation received by the Board may be an allowable deduction to the donor.

Notwithstanding the income tax exempt status, the Board is entitled to a refund of excess imputation credits. The Board recognises the entitlement to this refund as revenue at the time of receipt of the franked dividend or distribution.

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
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST payable to the ATO is included as part of 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 activities, which is payable to the ATO, is classified as part of operating cash flows.

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

(g) Events after the reporting period

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

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

(h) Income and expenses

Income and expenses are recognised in the Board’s Statement of Comprehensive Income when and only when it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured.

Income and 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.

Revenues

Revenues are measured at fair value of consideration received or receivable. Revenue is recognised for major activities as follows:

- Rental income arising on investment properties is accounted for on a straight-line basis over the lease term.
- Income from the disposal of non-current assets is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds to the carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings.
- Assets other than cash vesting in the Board are recognised at fair value as an asset and income of the Board when control of the asset passes.

(i) Allocation of net profit to trust funds

The Board maintains sufficient information for each individual fund to be able to determine each fund’s corpus and accumulation amount. Generally corpus amounts are not immediately available to the public health entities whereas accumulation amounts are immediately available.

(i) Allocation of net profit to trust funds (continued)

The net profit is allocated to each individual fund recognising the corpus and accumulation components of the fund and the underlying nature of the assets comprising the pool assets. Interest, rent and dividend type income from pooled assets are treated as accumulation income. Other transactions related to the holding of pooled shares and pooled investment properties are treated as corpus income (ie realised and unrealised gains).

Accumulation income is allocated to each fund based on the average balance of pooled funds invested by each individual fund after allowing for administration expenses.

In allocating the corpus income, first the proportion of pool assets sourced from corpus balances compared to the total pool is determined and applied to corpus income. This proportion of the corpus income is allocated proportionately to each fund with a corpus amount invested in the pool. The remainder of corpus income is allocated to each fund based on the average balance of pooled funds invested by each individual fund.

(j) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. The Board 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 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.

(k) Cash and cash equivalents

Cash and cash equivalents recorded in the Statement of Financial Position include cash on hand, deposits held at call 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 cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

(l) Receivables

Receivables include amounts receivable from goods and services and imputation credits refundable.

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. No allowance has been raised for bad or doubtful debts as there is no evidence that the Board will not be able to collect any debts due.

(m) Other financial assets

The Board classifies its investments into the following categories: held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at each reporting date.

Held-to-maturity investments – these are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Board’s management have the ability and the positive intention to hold to maturity.

Available-for-sale financial assets – these assets include marketable equity securities. They are included in non-current assets unless management intend to dispose of the investment within 12 months of the balance sheet date. They are measured at fair value with changes to fair value taken to the investment reserve established for that purpose.

Purchase and sale of investments are recognised on trade date - the date on which the Board commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred.

Shares and other financial assets have been recorded at fair value at 30 June 2013.

(n) Investment properties

Investment properties, comprising freehold land and office buildings, are held for long-term rental yields and, apart from a minor area of one property, are not occupied by the Board. The Board has determined that it is appropriate to treat all properties as investment properties.

(n) Investment properties (continued)

Investment properties are initially measured at cost, including transaction costs, and are subsequently measured at fair value. Any gains or losses arising from changes in fair value are recognised in the Statement of Comprehensive Income in the periods in which they arise.

The property previously occupied by the Board in Halifax Street, Adelaide was sold during the current financial year. The Board's office was moved to a portion of the property situated in Waymouth Street, Adelaide.

Fair market values of the properties are reviewed annually by the Board. This process occurred as at 30 June 2013. These values were determined after considering:

- review of valuation data obtained from the Valuer-General
- earnings capitalisation rates
- other relevant information publically available, including an assessment of the nature, location and condition of the asset concerned.

The Board's interest in Town Acre 86 has been revalued as at 30 June 2013 in line with the Valuer-General's assessment as to the value at that date. The last independently obtained value of the property for rental determination purposes pursuant to the head lease agreement was obtained during the current year but implemented as at the previous financial year's balance date.

As a result of suspected structural concerns at the Board's Greenhill Road, Wayville property, engineers were engaged to investigate further (refer note 22). Their report was received after the end of the financial year and identified issues that needed further monitoring and investigation.

The valuation of the Clare property was reduced by $100 000 from the Valuer-General's assessment of the property following consultation with the local agent and in recognition of the difficulty in selling the property at the previous valuation.

In the latest review the Board, after reviewing all the information available, determined that valuations in line with values provided by the Valuer-General as at 30 June 2013 were appropriate in the current market for commercial property for the Greenhill Road, Wayville, Waymouth Street, Adelaide and Torrens Road, Croydon properties.

Except for Town Acre 86, the properties were last independently valued at 30 June 2009.

(o) Impairment

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

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

Impairment is generally limited to where an asset's replacement cost is falling.

(p) Liabilities

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

Payables

Payables include accrued expenses and net GST payable on taxable supplies less anticipated input credits.

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

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

(q) Unrecognised contractual commitments and contingent assets and liabilities

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

(q) Unrecognised contractual commitments and contingent assets and liabilities (continued)

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

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

3. Financial risk management

The Board is exposed to a variety of financial risks, market risk, credit risk and liquidity risk. Risk management policies and practices are in accordance with internal written policies and approved by the Board.

The Board has non-interest bearing assets (cash on hand and on call and receivables), liabilities (payables) and interest bearing assets (held-to-maturity investments).

The Board's exposure to cash flow interest risk is minimal. The Board is exposed to price risk for changes in interest rates that relate to investments at fair value.

The Board has exposure to market risk in relation to its equity investment portfolio. The portfolio is diversified, regularly reviewed and invested pursuant to external investment advice.

The Board has no significant concentration of credit risk. The Board has policies and procedures in place to ensure that transactions occur with entities with appropriate credit ratings.

4. New and revised accounting standards and policies

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

Other than as disclosed above the Commissioners did not voluntarily change any of the accounting policies for the period ending 30 June 2013.

	2013	2012
5. Gain (Loss) from disposal of investments		
Shares in listed companies:	$'000	$'000
Proceeds from disposal	1 449	1 191
Costs of disposal	(5)	(6)
	1 444	1 185
Net carrying value at time of disposal	(1 439)	(1 196)
	5	(11)
Amounts already recognised in equity:		
Current year gain (loss)	75	(155)
Cumulative gain (loss) from previous years	(7)	(1 116)
	68	(1 271)
Net gain (loss) on disposal	73	(1 282)
6. Gain (Loss) from disposal of investment properties		
Proceeds from disposal	317	-
Costs of disposal	(10)	-
	307	-
Carrying value at time of disposal:		
Original cost of investment property	319	-
Revaluation adjustments previously recognised in income	(39)	-
	280	-
Net gain (loss) on disposal	27	-
7. Administration costs		
Included in administration costs are employment benefits expenses paid, accrued or adjusted during the year:		
Salaries and wages	116	106
Employment on-costs - superannuation	10	10
Other employee related expenses	8	21
Total employee benefits expense	134	137
General administration expenses	25	42
Total administration costs	159	179

7. Administration costs (continued)

No employees earned or were remunerated at a level equal to or in excess of the base executive remuneration level.

Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, and any other salary sacrifice benefits.

8. Accounting fees

	2013	2012
During the year the Board engaged the following professional service provider:	$'000	$'000
John Yeatman - Chartered Accountant	20	21

9. Auditor's remuneration

Audit fees payable to the Auditor-General relating to the audit of the financial statements	42	29

No other services were provided by the Auditor-General.

10. Commissioners' remuneration

Total remuneration of Commissioners	52	52

	2013	2012
The number of Commissioners whose remuneration received or receivable falls within the following bands:	Number	Number
$10 000 - $19 999	2	2
$20 000 - $29 999	1	1

Commissioners' remuneration reflects all costs of performing Commissioners' duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. Total remuneration received by Commissioners was $52 000 ($52 000).

Amounts paid to a superannuation plan for the Commissioners was $4000 ($4000).

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

The Commissioners holding office during the year were:

Judith Worrall (Chair) (retired from all offices 30 June 2013)
Geoff Loveday
Robyn Pak-Poy (appointed as Chairman from 1 July 2013)
Villis Marshall (appointed to the Board from 1 July 2013).

11. Consultancy fees

	2013	2012
	$'000	$'000
Trevor Kennett	5	-

Mr Kennett has been engaged to assist with a review of the investment policies and strategy of the Board.

12. Cash and cash equivalents

Cash at bank - at call	13 187	2 244
Short-term deposits - less than three months to maturity	24 000	18 685
Cash and cash equivalents (Statement of Cash Flows)	37 187	20 929

Cash and cash equivalents as at 30 June 2013 were considerably higher than normal in preparation for the provision of a secured loan in relation to the cyclotron facility at the South Australian Health and Medical Research Institute.

13. Financial assets

	2013	2012
Current:	$'000	$'000
Short-term deposits - more than three but less than 12 months to maturity	3 700	19 272
	3 700	19 272
Non-current:		
Secured investment at cost	445	445
Shares in listed companies and other securities at market value	23 110	17 169
	23 555	17 614
	27 255	36 886

13. Financial assets (continued)

The secured investment is an advance to the Port Pirie Regional Health Service Inc in the form of a first mortgage over land and buildings held by the health service. Since commencement this investment has been interest free. Under the terms of the agreement the health service has foregone income allocations on an equivalent amount.

The Board has no intention of varying the original arrangement.

14. Receivables

	2013	2012
Current:	$'000	$'000
Interest income accrued	231	852
Rental income accrued	175	424
Prepayments and recoveries - legal fees	104	-
Prepayments and recoveries - other	4	17
GST receivable on accrued income	-	2
Imputation credits receivable	397	332
	911	1 627

As at 30 June 2013 $104 000 in fees has been paid to the Crown Solicitor's Office in relation to disputes and other issues associated with various deceased estates in which the Board has an interest. On finalisation of these matters, the costs will be recovered/offset against the funds received from the respective estates.

Interest rate and credit risk

The above receivables are non-interest bearing. The carrying amount approximates net fair value due to being receivable on demand. Rental income accrued includes $175 000 ($416 000) outstanding from the head lessee of Town Acre 86. Apart from this amount there is no significant concentration of credit risk.

15. Investment properties

	2013	2012
At fair value:	$'000	$'000
Balance at 1 July	34 070	33 737
Disposals at carrying value	(280)	-
Capitalised subsequent expenditure	7	-
Net revaluation increment	13	333
Balance at 30 June	33 810	34 070

Current:		
Investment properties held for sale	900	4 975
Non-current:		
Investment properties held for long-term rental	32 910	29 095
	33 810	34 070

The property at Torrens Road, Croydon $3.775 million ($3.975 million) has been reclassified from held-for-sale to held for long-term rental. A long-term lease was negotiated during the year for commencement on 1 July 2013.

The property at Halifax Street, Adelaide ($280 000) was previously classified as held for long-term rental but was sold during the financial year.

Amounts recognised in the Statement of Comprehensive Income	2013	2012
for investment properties:	$'000	$'000
Rental income	2 794	2 987
Direct operating expenses	(231)	(234)
Total amount recognised	2 563	2 753

16. Payables

Accrued expenses	50	54
GST payable	46	57
	96	111

17. Other liabilities

Unearned revenue	12	-
Metropolitan Domiciliary Care Services	-	497
Intellectual Disability Services Council Inc	-	62
	12	559

In accordance with the Act, funds previously held for Metropolitan Domiciliary Care Services and Intellectual Disability Services Council Inc were paid in full to the responsible Minister during May 2013.

18. Trust funds

Funds held on behalf of the following public health entities or their successor bodies:	Note	2013 $'000	2012 $'000
RAH - General*		82 221	77 236
RAH - Glenside campus		692	681
RAH - Private Practice Fund**		4 437	3 987
Hillcrest Hospital		94	86
Port Augusta Hospital and Regional Health Service Inc		21	19
Port Lincoln Health and Hospital Services Inc		348	322
Port Pirie Regional Health Service Inc		526	519
The Queen Elizabeth Hospital		935	730
SA Dental Service		7	7
Whyalla Hospital and Health Services Inc		269	238
Mount Gambier and Districts Health Service Inc		649	597
Northern Yorke Peninsula Health Service		26	24
SA Pathology		8120	8 396
Women's and Children's Hospital	1.1	526	-
Lyell McEwin Hospital	1.1	184	-
		99 055	92 842

* The Board holds $4.437 million ($3.987 million) from the RAH doctors' right to private practice at the hospital. These amount have been held and administered by the Board for many years and are now disclosed separately above. As a result the comparative balance for 'RAH - General' has been revised from $81.221 million to $77.236 million.

** These funds are not included by the Act as charitable assets however they continue to be held at the request of the RAH. Until otherwise instructed these funds will continue to be managed by the Board as if they were charitable assets.

19. Reconciliation of net cash provided by (used in) operating activities to net profit

	2013 $'000	2012 $'000
Net profit from operations	3 130	4 213
Adjustments for non-cash items:		
Profit (Loss) on disposal of listed securities	(73)	1 282
Profit (Loss) on disposal of investment property	(27)	-
Profit (Loss) on revaluation of investment property	(13)	(333)
Non-cash transactions for public charitable institutions	(113)	(144)
Income allocations to Intellectual Disability Services Council Inc and Metropolitan Domiciliary Care Services	(65)	-
Movements in assets/liabilities:		
Receivables	887	77
Imputation credits receivable	(64)	90
Prepayments	(104)	-
Payables	(3)	35
Unearned revenue	12	(23)
GST payable	(10)	-
	427	984
Net cash provided by (used in) operating activities	3 557	5 197

20. Financial instruments/Financial risk management

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 and financial liability are disclosed in note 2.

		2013		2012	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents	12	37 187	37 187	20 929	20 929
Other financial assets	13	27 255	27 255	36 886	36 886
Receivables*	14	514	514	1 293	1 293
Total financial assets		64 956	64 956	59 108	59 108

20. Financial instruments/Financial risk management (continued)

		2013		2012	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial liabilities					
Payables*	16	50	50	54	54
Other financial liabilities	17	12	12	559	559
Total financial liabilities		62	62	613	613

* Receivable and payable amounts disclosed here exclude amounts relating to imputation credits refundable and GST payable, as these obligations are sourced in legislation.

(a) Credit risk

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

The Board has policies and procedures in place to manage credit risk and to ensure that transactions occur with customers with appropriate credit history. The Board does not hedge its financial assets.

As referred to in note 13 the Board holds a first mortgage charge over advances made to the Port Pirie Regional Health Service Inc.

There is no evidence to indicate that any of the financial assets are impaired.

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

			Contractual maturities		
2013		Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	Note	$'000	$'000	$'000	$'000
Cash and cash equivalents	12	37 187	37 187	-	-
Other financial assets	13	27 255	3 700	-	23 555
Receivables	14	514	514	-	-
Total financial assets		64 956	41 401	-	23 555
Financial liabilities:					
Payables	16	50	50	-	-
Other financial liabilities	17	12	12	-	-
Total financial liabilities		62	62	-	-
2012					
Financial assets:					
Cash and cash equivalents	12	20 929	20 929	-	-
Other financial assets	13	36 886	19 272		17 614
Receivables	14	1 293	1 293	-	-
Total financial assets		59 108	41 494	-	17 614
Financial liabilities:					
Payables	16	54	54	-	-
Other financial liabilities	17	559	559	-	-
Total financial liabilities		613	613	-	-

(b) Liquidity risk

Liquidity risk arises where the Board is unable to meet its financial obligations as they fall due.

Due to the nature and operations of the Board's activities exposure to liquidity risk is insignificant.

The carrying amount of financial liabilities recorded above represent the Board's maximum exposure to financial liabilities.

(c) Market risk

Market risk is the risk that changes in market prices will affect the fair value of financial instruments.

By virtue of gifts and bequests the Board holds tradeable securities and will always be subject to market risks as capital securities have fluctuating market prices.

The Board seeks to reduce market risk of the investment portfolio by ensuring that it is not, in the opinion of the Board, overly exposed to one company or one particular sector of the market. The relative weightings of the individual securities and market sectors are reviewed and the risk appropriately managed.

The Board has formulated investment policies that set guidelines as to the maximum amount of the investment portfolio that can be invested in any one company or group of companies of an index.

(d) Sensitivity analysis

A general fall in the fair value of long-term investments of 5% and 10%, if equally spread over all assets in the portfolio, would lead to a reduction of in value of $1.155 million ($858 000) and $2.31 million ($1.717 million) respectively. The revaluation surplus at 30 June 2012 had a balance of $3.12 million ($28 000 deficit).

The Board believes the underlying quality of the assets supports the conclusion that the value of financial assets is not overstated.

21. Unrecognised contractual commitments

Operating lease arrangements

Unrecognised amounts due under operating leases over investment properties owned by the Board. No amount has been recognised in the financial statements to 30 June 2013.

The properties owned by the Board are leased to third parties for commercial use. Lease terms vary between lessees with most requiring the payment of outgoings by the lessee.

Future minimum rentals revenues under non-cancellable operating commercial property leases (exclusive of GST):	2013 $'000	2012 $'000
Due within one year	2 718	2 671
Due between one and five years	9 026	10 376
Due after five years	1 983	2 146
	13 727	15 193

The lease over the Citi Centre property is for ground rent only and comprises base annual rental (paid monthly) of 8% of the value of the land. This value is determined every five years the most recent independent valuation being done in August 2011.

This base rent is supplemented each year by the payment of 4% of the net rental for the entire property. This at risk component has not been included in the above calculation.

22. Contingent assets and liabilities

At balance date the Board is not aware of any contingent assets.

The Board has a contingent liability in relation to structural issues at the Board's investment property at Greenhill Road, Wayville as follows:

- Prior to the end of the financial year the Board was made aware of potential structural issues at its investment property at Greenhill Road, Wayville. Engineering firm, John Bray and Associates, was engaged to investigate this matter. Their initial report indicates that the property remains acceptable to use in its current configuration as an office building and that further investigation and ongoing monitoring was required.

Health Services Charitable Gifts Board as trustee
Ray & Shirl Norman Cancer Research Trust
Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013	2012
Income:			
Investment of funds:		$	$
Interest revenue		32 804	27 369
Dividends and trust distributions		230 978	199 560
Imputation credits		83 637	70 446
Net gain (loss) from disposal of financial assets	3	21 012	(37 777)
Total income		368 431	259 598
Expenses:			
Administration expenses:			
Administration costs	4	18 099	9 021
Research funding	5	172 727	-
Total expenses		190 826	9 021
Net profit (loss)		177 605	250 577
Other comprehensive income:			
Financial asset revaluations taken to equity		652 304	(386 084)
Revaluation adjustments on financial assets disposed of during the period	3	(21 272)	33 420
Net gain (loss) on financial assets taken to equity		631 032	(352 664)
Net profit and total comprehensive result		808 637	(102 087)

Health Services Charitable Gifts Board as trustee
Ray & Shirl Norman Cancer Research Trust
Statement of Financial Position
as at 30 June 2013

	Note	2013 $	2012 $
Current assets:			
Cash at bank		398 178	393 905
Short-term deposits - less than three months to maturity		400 000	405 803
Accrued revenue		2 319	397
GST receivable		17 273	-
Imputation credits receivable		83 637	70 446
Total current assets		901 407	870 551
Non-current assets:			
Other financial assets at fair value	2.3	4 703 341	3 933 045
Total non-current assets		4 703 341	3 933 045
Total assets		5 604 748	4 803 596
Current liabilities:			
Accrued expenses		1 536	9 021
Total current liabilities		1 536	9 021
Total liabilities		1 536	9 021
Net assets		5 603 212	4 794 575
Trust funds:			
Trust funds		4 403 529	4 403 529
Revaluation surplus (deficit)		184 631	(446 401)
Retained earnings		1 015 052	837 447
Total trust funds		5 603 212	4 794 575

Health Services Charitable Gifts Board as trustee
Ray & Shirl Norman Cancer Research Trust
Statement of Changes in Equity
for the year ended 30 June 2013

	Note	Trust funds $	Revaluation surplus $	Retained earnings $	Total trust funds $
Balance at 30 June 2011		-	-	-	-
Transfer from Health Services Charitable Gifts Board		4 990 399	(93 737)	-	4 896 662
Transfer retained earnings of fund		(586 870)	-	586 870	-
Restated balance at 30 June 2011		4 403 529	(93 737)	586 870	4 896 662
Gain (Loss) on revaluation of investments		-	(386 084)	-	(386 084)
Realised investment revaluation transferred	3	-	33 420	-	33 420
Net income recognised directly in equity for 2011-12		-	(352 664)	-	(352 664)
Net profit for 2011-12		-	-	250 577	250 577
Total comprehensive result for 2011-12		-	(352 664)	250 577	(102 087)
Total change for the period		-	(352 664)	250 577	(102 087)
Balance at 30 June 2012		4 403 529	(446 401)	837 447	4 794 575
Gain (Loss) on revaluation of investments		-	652 304	-	652 304
Realised investment revaluation transferred	3	-	(21 272)	-	(21 272)
Net income recognised directly in equity for 2012-13		-	631 032	-	631 032
Net profit for 2012-13		-	-	177 605	177 605
Total comprehensive result for 2012-13		-	631 032	177 605	808 637
Total change for the period		-	631 032	177 605	808 637
Balance at 30 June 2013		4 403 529	184 631	1 015 052	5 603 212

Notes to and forming part of the financial statements

1. Objectives of the Ray & Shirl Norman Cancer Research Trust (the Trust or Fund)

The Trust was created under the will of Mr Raymond Norman who passed away on 23 March 2006. All income derived by the Trust is to be 'used for the purpose of the prevention and cure of cancer and anything incidental or conducive to those purposes'.

Under the terms of the will the Royal Adelaide Hospital was appointed as trustee of the Fund and was required to administer the Fund for the designated purpose. Following legal advice that the Royal Adelaide Hospital was not able to act as trustee application was made to the Supreme Court and the Health Services Charitable Gifts Board assumed the role as sole trustee from 21 September 2011.

2. Summary of principal accounting policies

2.1 Format of the accounts

The attached financial reports and related notes are special purpose financial statements that provide information on the value and operations of the Trust being administered. No accounting standards and other mandatory reporting requirements are applied in the preparation and presentation of this Statement.

The Statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

Dividend and distribution income is recognised on receipt.

2.2 Taxation and imputation credits

The Trust is exempt from income tax and has been granted status as a charitable fund.

As a charitable fund the Trust is entitled to a refund of imputation credits. Entitlement to this refund is recognised as revenue at the time of receipt of the franked dividend or distribution.

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

- when 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 the receivables or payables in the Statement of Financial Position.

2.3 Basis of valuation of assets and liabilities

Cash and cash equivalents are carried at nominal amounts. Cash and cash equivalents recorded in the Statement of Financial Position include cash on hand, deposits held at call 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.

Shares and other financial assets have been recorded at fair value at 30 June 2013.

Accrued revenue and accrued expenses are carried at their nominal amounts.

3. Gain (Loss) from disposal of investments

	2013	2012
Shares in listed companies:	$	$
Proceeds from disposal	719 611	418 954
Costs of disposal	(3 255)	(2 307)
	716 356	416 647
Net carrying value at time of disposal	(716 616)	(421 004)
	(260)	(4 357)
Amounts already recognised in equity:		
Current year	56 489	20 294
Cumulative gain (loss) from previous years	(35 217)	(53 714)
	21 272	(33 420)
Net gain (loss) on disposal	21 012	(37 777)

4. Administration costs

Bank fees	70	-
General administration expenses*	18 029	9 021
	18 099	9 021

* This represents a recovery by the Health Services Charitable Gifts Board to cover various administrative tasks undertaken and costs incurred in its capacity as trustee of the Trust.

5. Research funding

Research funding	172 727	-

The will establishing the Ray & Shirl Norman Cancer Research Trust required the income of the Fund to be used '... for the prevention and cure of cancer ...' and during the year funds were provided in support of cancer research projects.

Following a competitive scientific review process, two projects were selected for funding in the 2013 and 2014 calendar years. At 30 June 2013 amounts agreed to pursuant to the funding arrangements but not yet due totalled $300 000 (net of GST).

As these amounts are not yet due they have not been recognised in these financial statements.

HomeStart Finance

Functional responsibility

Establishment

HomeStart Finance (HomeStart) is a statutory corporation established by Regulation pursuant to the *Housing and Urban Development (Administrative Arrangements) Act 1995*. It has a Board of Management appointed by the Minister for Housing and Urban Development and is subject to the control and direction of the Minister.

Functions

HomeStart's functions include:

- lending money or providing other financial assistance to facilitate home ownership to persons of low to moderate income
- providing, marketing and managing home finance products
- providing, managing or facilitating finance for housing schemes or housing associations and for mortgage relief schemes within South Australia
- providing, managing or facilitating finance for the development, ownership or operation of aged care residential accommodation or facilities.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 27(4) of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and section 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of HomeStart for each financial year.

Assessment of controls

Section 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by HomeStart in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2012-13, specific areas of audit attention included:

- customer loans, including loan approvals, interest revenue, arrears management and allowance for impairment

- investments
- SAFA funding facility, including interest expense and derivative instruments
- payroll and expenditure
- regulatory framework
- general IT controls.

The audit included consideration of the work undertaken by HomeStart's internal audit function. Internal audit activities have been reviewed to assess the risks of material misstatement of the financial statements and to design and perform audit procedures.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of HomeStart Finance as at 30 June 2013, 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.

Assessment of controls

In my opinion, the controls exercised by HomeStart Finance in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of HomeStart Finance have been conducted properly and in accordance with law.

Communication of audit matters

Matters noted during the course of the audit were outlined in a management letter to the officers responsible for the governance of HomeStart. The matters related to opportunities for improvement in the general control environment and were responded to by HomeStart.

The matters raised were:

- the need to regularly review and update the delegated lending authority

- the need to regularly review server room access

- the compliance of certain systems' password settings with HomeStart's password policy and the documentation of certain necessary system exceptions to that policy

- the lack of data restoration testing conducted during the financial year.

In response, HomeStart advised that the delegated lending authority and server room access will be reviewed, necessary system password policy exceptions will be recorded in the risk management system and HomeStart will look to resume data restoration testing in 2013-14.

Creditor account payment performance

TI 11 prescribes the policy for creditor account payments, including the development of relevant policies and procedures and the preparation of monthly reports on account payment performance to the Board.

The audit noted the need for updated policies and procedures for TI 11 requirements and for monthly reports to be submitted to the Board.

HomeStart responded by specifying that it would address all noted issues by the end of August 2013.

Information and communications technology and control

During 2012-13 HomeStart's internal audit conducted a review of policies and procedures governing the management and use of information technology across the organisation. The review covered the use and security of mobile devices.

The review identified important matters in need of management attention, notably:

- the policy and controls implemented for HomeStart staff to use personal mobile devices for business purposes lacked definition in a number of areas, including protocols around use and minimum security controls, such as the use of PIN codes
- the controls implemented over staff access to the HomeStart network on non-corporate devices required strengthening to protect HomeStart's information or systems.

These control weaknesses increased the risk of unauthorised access to critical or sensitive information, stored either on the HomeStart network or on mobile devices with access to HomeStart information.

In response to the internal audit findings HomeStart management implemented appropriate remediation action.

Interpretation and analysis of the financial report

Highlights of the financial report

	2013 $'million	2012 $'million
Interest income	126	142
Interest expense	66	(87)
Net interest income	60	55
Other income	13	17
Other expenses	(30)	(31)
Government guarantee fee	(27)	(27)
Profit (Loss) before income tax equivalents	16	14
Income tax equivalents expense	(5)	(4)
Profit (Loss) after income tax equivalents expense	11	10
Change in fair value of derivatives and available-for-sale assets	5	(7)
Total comprehensive result	16	3
Assets		
Loans and advances	1 853	1 867
Other assets	133	126
Total assets	1 986	1 993

	2013 $'million	2012 $'million
Liabilities		
Borrowings	1 800	1 812
Other liabilities	22	26
Total liabilities	1 822	1 838
Total equity	164	155

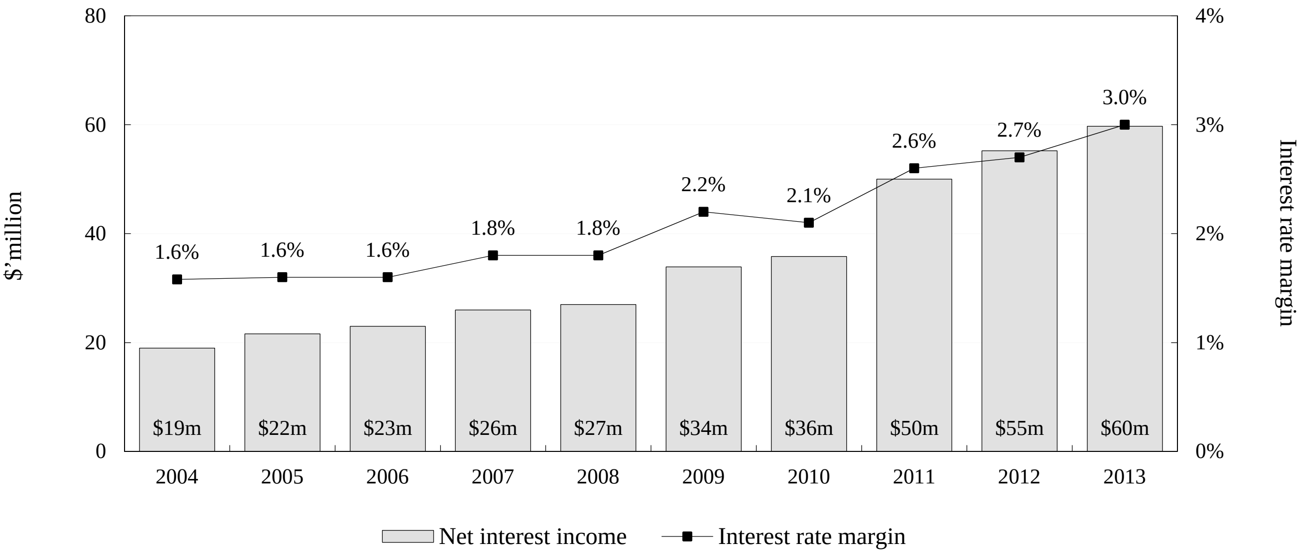
Statement of Profit or Loss and Other Comprehensive Income

Profit for the year

Profit before income tax equivalents increased by $1.9 million to $16.4 million. Primary factors contributing to this increase are outlined hereunder.

Net interest income

The following chart compares the net interest income to the interest rate margin between loans and cost of funds.



Net interest income increased by $4.6 million (8%), to $59.7 million. The increase was due mainly to an increase in the interest rate margin between loans and cost of funds from 2.7% to 3%.

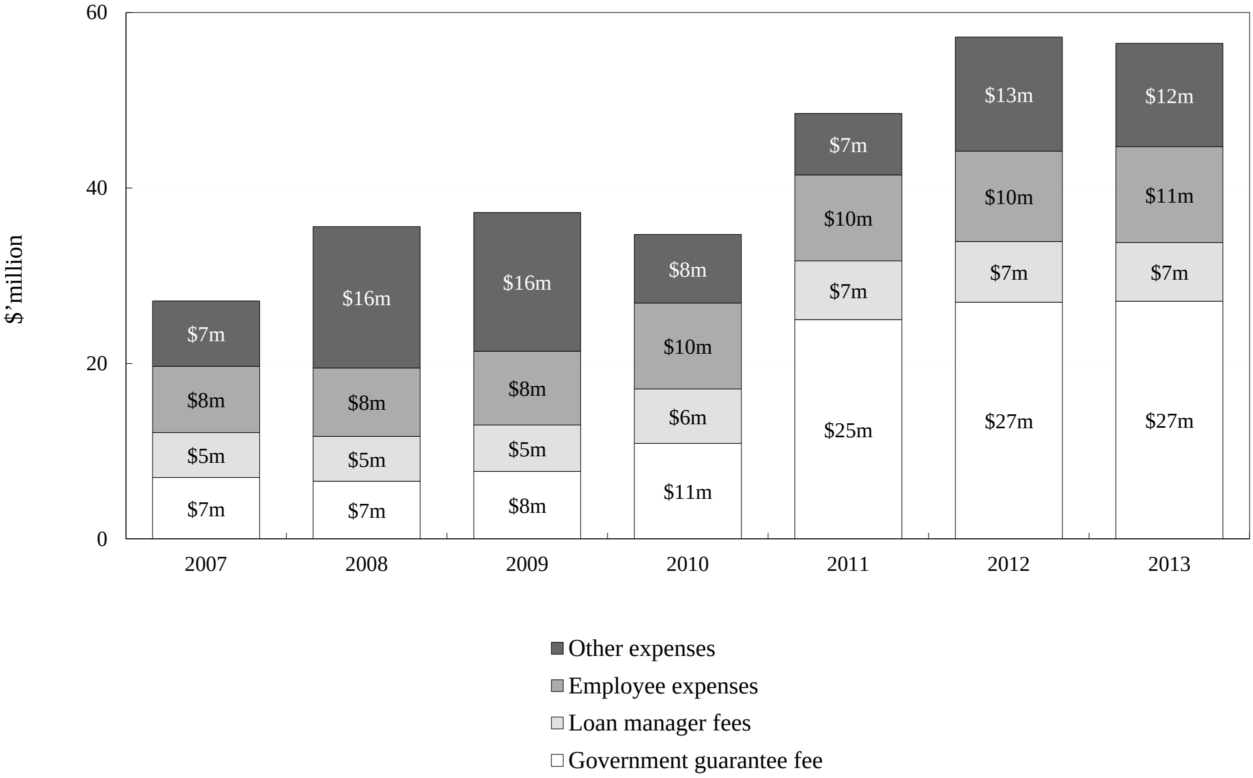
The chart shows the interest rate margin between loans and cost of funds has increased in each of the last three years, with a substantial increase in 2011. The increase in the margin in 2011 was sufficient to cover the increase in the Government guarantee fee in that year (refer 'Expenses other than interest' below).

Other income

Other income decreased by $3.9 million to $13.1 million due mainly to community service obligation (CSO) income decreasing from $9.1 million to $5.4 million. In 2012 HomeStart received new CSO income from DTF amounting to $4.4 million. This CSO was provided so HomeStart would achieve a 9% return on equity under newly agreed operating parameters. The CSO was not payable in 2013 as HomeStart achieved the required return on equity without the CSO funding (refer 'HomeStart operating parameters' below).

Expenses other than interest

The movement in expenses other than interest is illustrated in the following chart.



The chart shows that certain expenses have fluctuated since 2007. These are discussed below.

The Government guarantee fee increased significantly in 2011. In that year $11 million of the $14 million increase was due to an increase in the fee rate on outstanding borrowings from 0.75% in 2010 to 1.5% in 2011. The Government guarantee fee rate remained unchanged in 2012 and 2013, with the increase due to additional borrowings.

Matters impacting other expenses since 2007 were:

- the recognition of a loss from the unrealised change in the fair value of the shared appreciation component of breakthrough loans. The loss amounted to $1.5 million in 2013 and $3.6 million in 2012. Prior to 2012 income was recognised for this item. Further analysis on the breakthrough loans is provided below

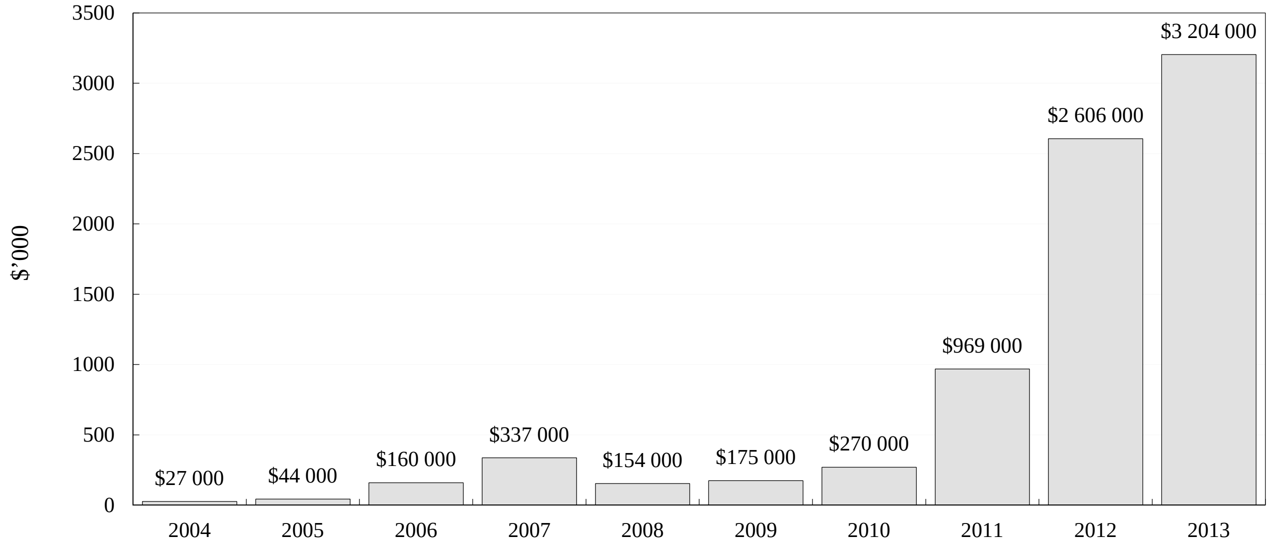
- bad and impaired loans expense of $4.1 million in 2013. These increased by $401 000 in 2013 and $2 million in 2012

- the impact of reduced market values of investments (excluding breakthrough loans) in 2008 and 2009, reflecting the depressed global financial markets. Market value losses were $7 million in 2009 and $8 million in 2008. Since 2009 HomeStart has changed the mix of investments, which has reduced the impact of fair value changes on its results. Commentary on investments is provided below.

Bad and impaired loans expense

The bad and impaired loans expense for the year was $4.1 million ($3.7 million), a $401 000 increase over the previous year. The changes reflect mainly the movement in the level of impairment provisions over the year (refer notes 8 and 20 to the financial statements).

The total provision for impairment as at 30 June 2013 was $20.1 million ($19.2 million). The following chart shows the actual debt write-offs through the provision and the Statement of Comprehensive Income for the last 10 years.



The chart shows that for the period to 2010 actual debt write-offs were at low levels due to positive economic conditions, particularly the strong property market. The 2011 to 2013 years show an increasing level of actual bad debts, reflecting the softer property market. While the trend in actual write-offs has increased, the provisions for impairment have remained consistent indicating that HomeStart's provisioning practices have previously catered for longer term bad debt risks.

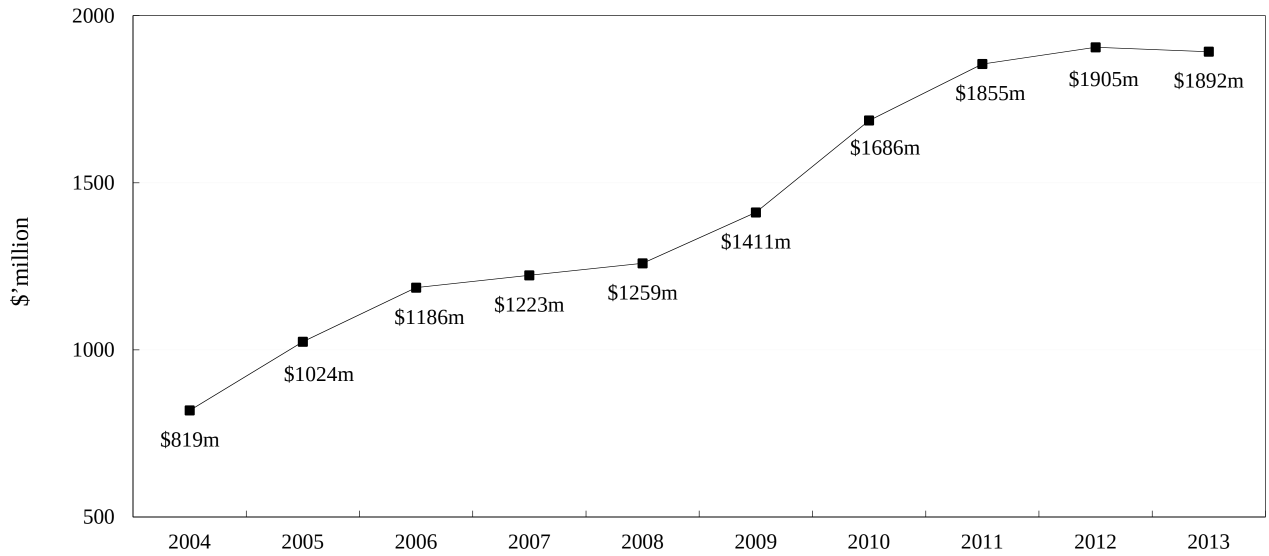
Further comments on the impairment of loans are provided under Statement of Financial Position below.

Statement of Financial Position

Loans and advances

In 2013 gross loans and advances amounted to $1.9 billion and were marginally lower than 2012.

HomeStart has had a significant increase in the value of lending over the nine years to 2012 which is shown in the following chart.



The growth in gross loans and advances over the period since 2004 reflects a range of factors including the:

- approval of the State Government for HomeStart to grow its asset base
- market acceptance of new products
- increase in the average value of loans settled in line with the increase in property values
- additional first home owner incentive grants from the Commonwealth and State Governments from 2009 to 2011
- a reduction in the number of non-bank lenders and tighter lending practices by other financial institutions.

The stabilisation of gross loans from 2011 reflects the prevailing subdued housing market and economic conditions.

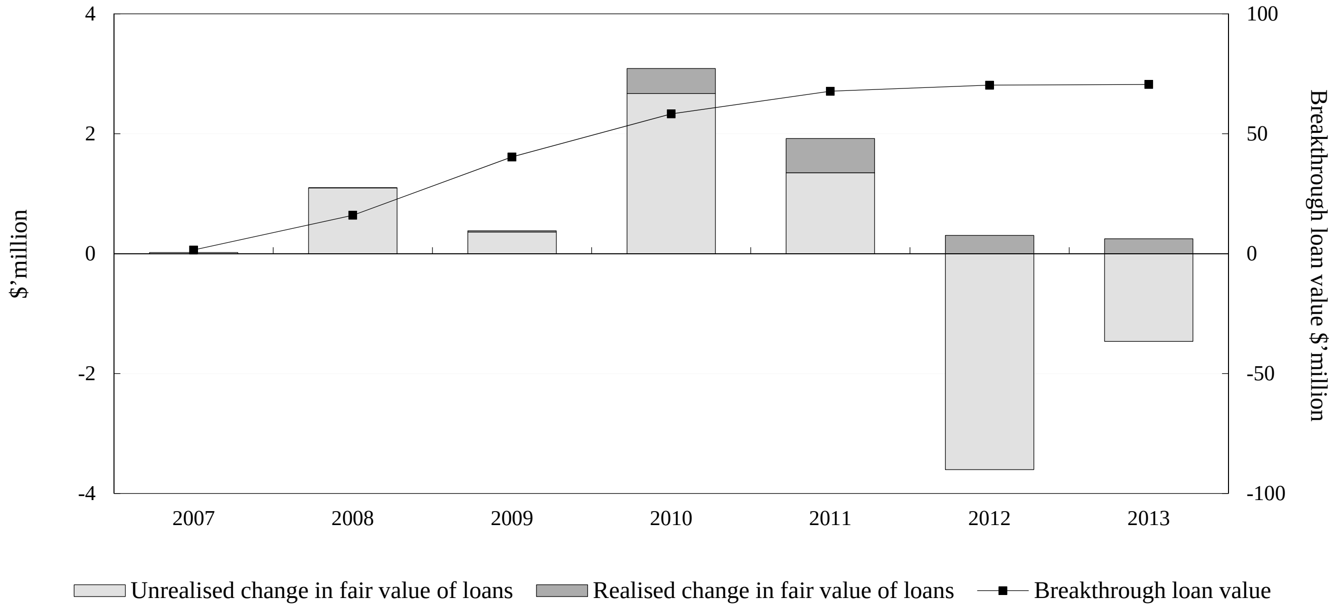
Breakthrough loans

In 2006-07 HomeStart introduced the breakthrough loan facility. This facility includes two loan components:

- a standard loan component with standard interest rates and repayments. This portion is included within normal loans and advances
- a shared appreciation component where the loan is repaid along with a percentage of the increase in property value when the property is sold (refer note 2.12 to the financial statements).

The value of the shared appreciation component of breakthrough loans was \$70.5 million (\$70.2 million) at 30 June 2013. HomeStart has classified this component in the Statement of Financial Position as an investment at fair value through the profit and loss account (refer note 17 to the financial statements). Refer to further commentary under 'Investments' below.

In 2013 a net \$1.2 million loss (\$3.3 million) was recognised for this product comprising a \$1.5 million loss (\$3.6 million) recognised from revaluation and a \$249 000 gain (\$305 000) recognised on discharge of breakthrough loans. The chart below shows the impact of the breakthrough loans on the operating result of HomeStart and the total value of loans since their introduction in 2007.



Financial risks

Note 32 to the financial statements provides information on HomeStart's financial risk management activities including detailed information on credit, liquidity and market risk exposures.

The nature of HomeStart's business is such that it carries a high inherent risk in its loan portfolio. Some factors contributing to this risk are:

- generally customers have lower incomes and borrow a greater percentage of their home value
- a significant concentration of lending in regional South Australia and outer metropolitan suburbs
- customers are not required to take out mortgage insurance because HomeStart self-insures losses incurred.

In recognition of these circumstances, HomeStart:

- makes a provision for impairment where there is doubt about the recoverability of loans
- retains capital in the event of significant losses arising from loan defaults.

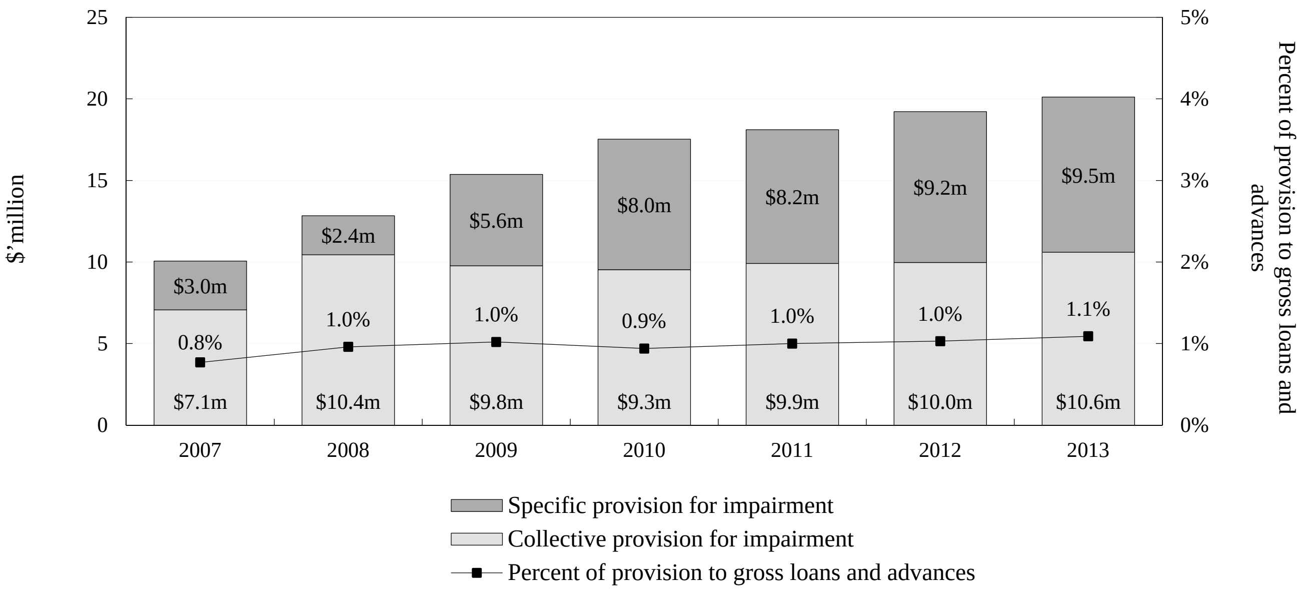
Provisions for impairment

HomeStart assesses at each balance date whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. Note 2.11 to the financial statements details HomeStart's policies for determining the provision for impairment.

The total provision for impairment has increased by $891 000 to $20.1 million. The total provision for impairment comprises two components:

- The specific provision (loans and advances that are individually assessed as impaired) as at 30 June 2013 was $10.6 million ($9.2 million).
- The collective provision as at 30 June 2013 was $9.5 million ($10 million). This provision arises where HomeStart determines that no objective evidence of impairment exists for an individually assessed financial asset. Assets are included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

The following chart shows the level of the total provisions and their composition over the past seven years.



The chart shows that while the provisions for impairment have increased, the overall level of provisioning remains at a similar proportional level to the total loans and advances.

The chart also shows that over the period the biggest component of the total provision is the collective provision.

General reserve for credit losses

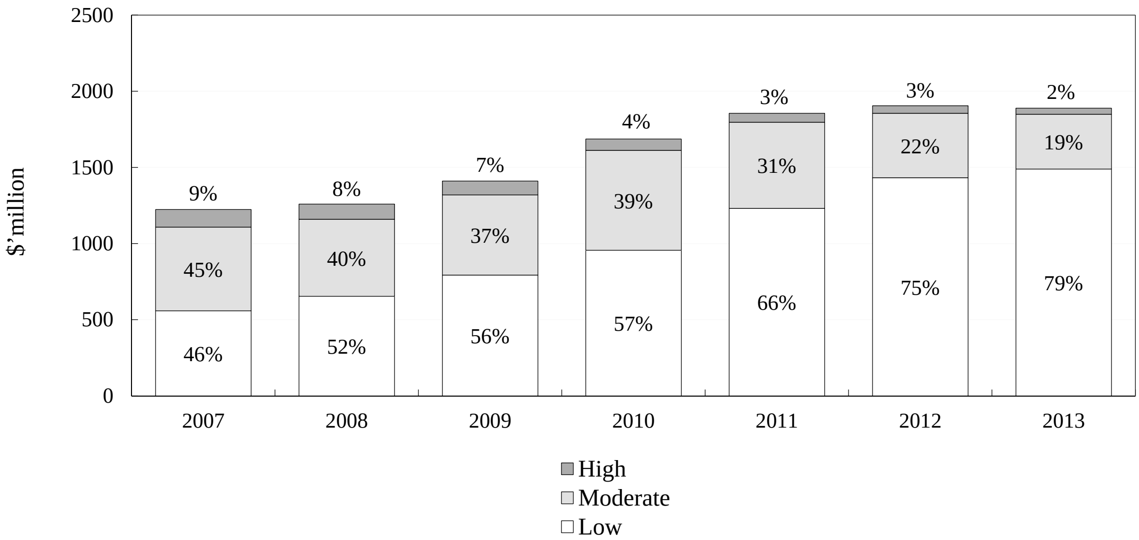
The general reserve for credit losses is used to set aside additional funds in excess of the specific and collective provisions determined under AASB 139. The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority prudential risk management requirement of retaining sufficient retained earnings for capital adequacy purposes.

The balance of the reserve at 30 June 2013 was $8.8 million ($9.2 million).

The combined provisions for impairment and general reserve for credit losses take the total amount set aside for potential losses to $28.9 million ($28.4 million).

Loan quality

HomeStart has assessed the gross value of loans and advances to customers by credit risk grading (refer note 32.2.1(d) to the financial statements). The following chart summarises that assessment.



The chart shows the proportion of high and moderate credit risk category loans has reduced, with the majority of loans assessed as low credit risk.

Investments

HomeStart's investments amounted to $122.3 million ($118.6 million).

The shared appreciation component of the breakthrough loan product amounted to $70.5 million ($70.2 million) or 58% (59%) of total investments. The discharge of the breakthrough loans is at the discretion of the property owner. Consequently, HomeStart cannot liquidate these investments to meet any future potential funding requirements. This loan product has been classified as an investment and is commented on previously under 'Breakthrough loans'.

The remaining investments include term deposits $17.1 million ($20.1 million), unit trusts $14.1 million (9.5 million), bonds $14 million ($12.1 million) and SAFA cash management fund $6.5 million ($6.6 million).

During 2012-13 HomeStart reclassified bonds from held to maturity to available for sale due to the sale of a bond before maturity. The result of the change is that all bonds are now carried at fair value rather than at amortised cost with the changes in fair value recorded directly in equity in the available-for-sale revaluation reserve. The available-for-sale gain in 2013 recognised directly in equity was $803 000.

Liabilities

Borrowings at 30 June 2013 were $1.8 billion ($1.8 billion) and represent 99% (99%) of HomeStart's liabilities. HomeStart is required to use SAFA as its sole counterparty for all funding transactions. At 30 June 2013, HomeStart was restricted by a current approved borrowing limit of $2.1 billion ($1.9 billion).

Note 32.3 to the financial statements provides information on HomeStart's exposure to liquidity risk.

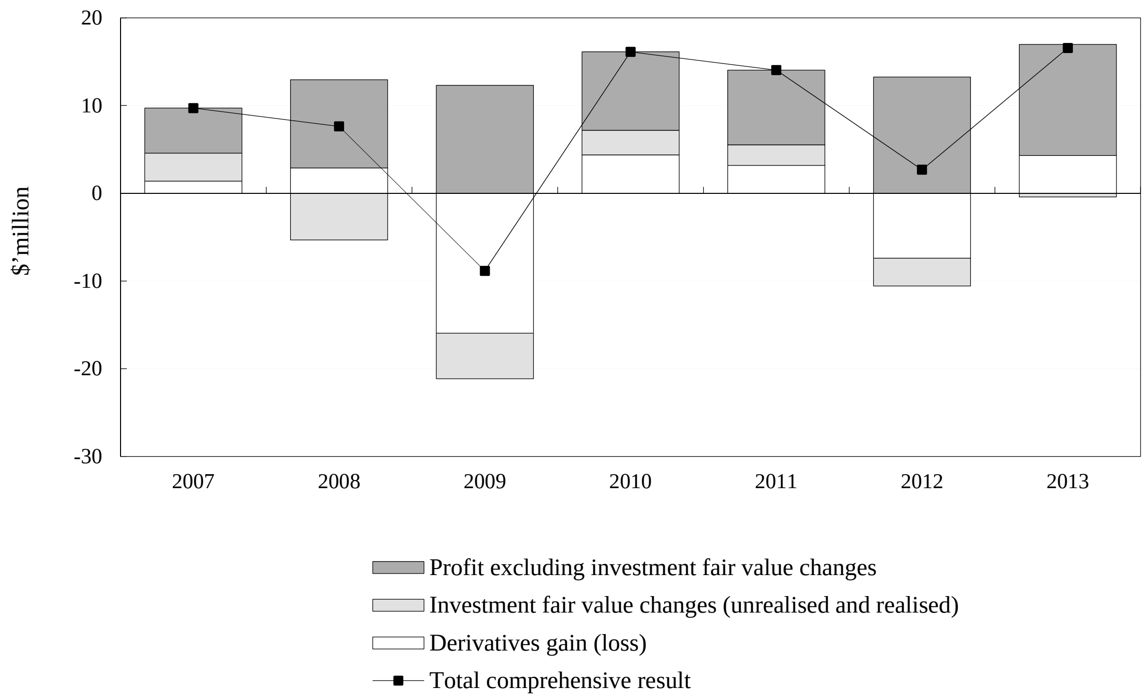
Fair value and comprehensive result

HomeStart recognises derivatives and certain investments at fair value. Investments include the breakthrough loan product discussed earlier. The changes in market value of these items can significantly impact HomeStart's Statement of Financial Position and Statement of Comprehensive Income.

Derivatives are used to hedge changes in interest rate risks. Whilst these hedges remain effective (as defined by the accounting standards), changes in the fair value of hedges do not affect profit as they are recognised in the derivatives valuation reserve. However, the realised and unrealised changes in investments at fair value are recorded in other expenses or income in the Statement of Profit or Loss and Other Comprehensive Income.

The impact of all these changes is included in the total comprehensive result reported in the Statement of Profit or Loss and Other Comprehensive Income. HomeStart's total comprehensive result increased by $13.9 million to $16.6 million.

The table below shows the impact of the changes in the fair value of derivatives and investments on HomeStart's total comprehensive result over the last seven years.



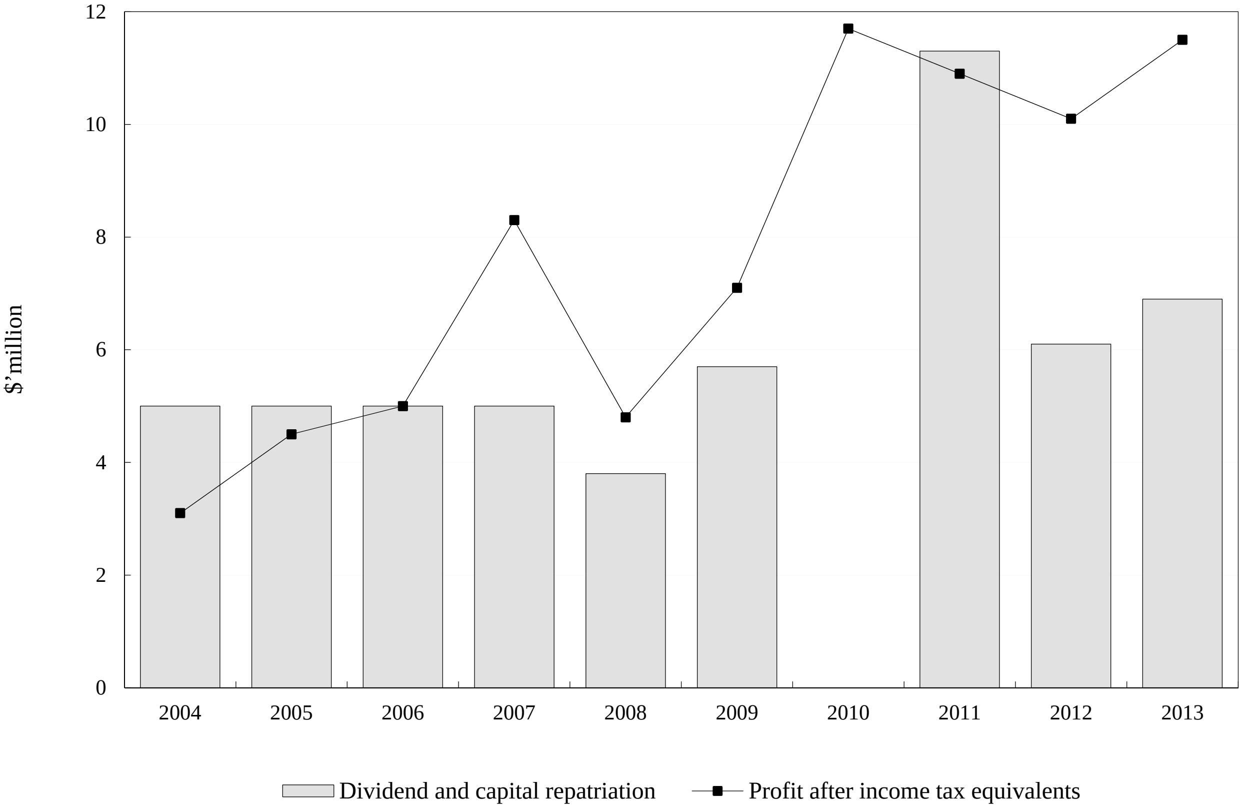
The total comprehensive results for 2008 and 2009 principally reflect the global financial crisis and the resultant downturn in interest rates and equities markets.

The total comprehensive result in 2012 reflects the fair value loss from the breakthrough loans.

It is important to appreciate the financial statements combine the financial assets and financial liabilities measured at either fair value or at cost. Note 33.1 shows the fair value of net financial assets is $210.8 million ($214.1 million), while the carrying value of net financial assets is $161.3 million ($153.3 million).

Distributions to government

The following chart shows profit after income tax equivalents and distributions made for the past 10 years and highlights the sustained profit performance of HomeStart over the period.



In 2013 HomeStart's dividend was $6.9 million ($6.1 million). The 2011 dividend effectively comprised the dividend for 2010 and 2011. The dividend for 2010 was nil because the appropriate approvals to declare a dividend had not occurred as at 30 June 2010.

In each of the years 2004 to 2007 HomeStart was required to pay $5 million to the Government which comprised dividend and capital repatriation payments. The payment of dividends and the capital repatriation reduces the level of interest free capital available to HomeStart. HomeStart's retained earnings as at 30 June 2013 increased to $160.9 million ($155.9 million).

HomeStart pays a guarantee fee of 1.5% (1.5%) to the Government based on the outstanding borrowings. The amount expensed in 2013 was $27.1 million ($27 million).

HomeStart also pays an income tax equivalent to the Government. The income tax equivalents expense in 2013 was $4.9 million ($4.3 million).

Statement of Cash Flows

Net cash flows

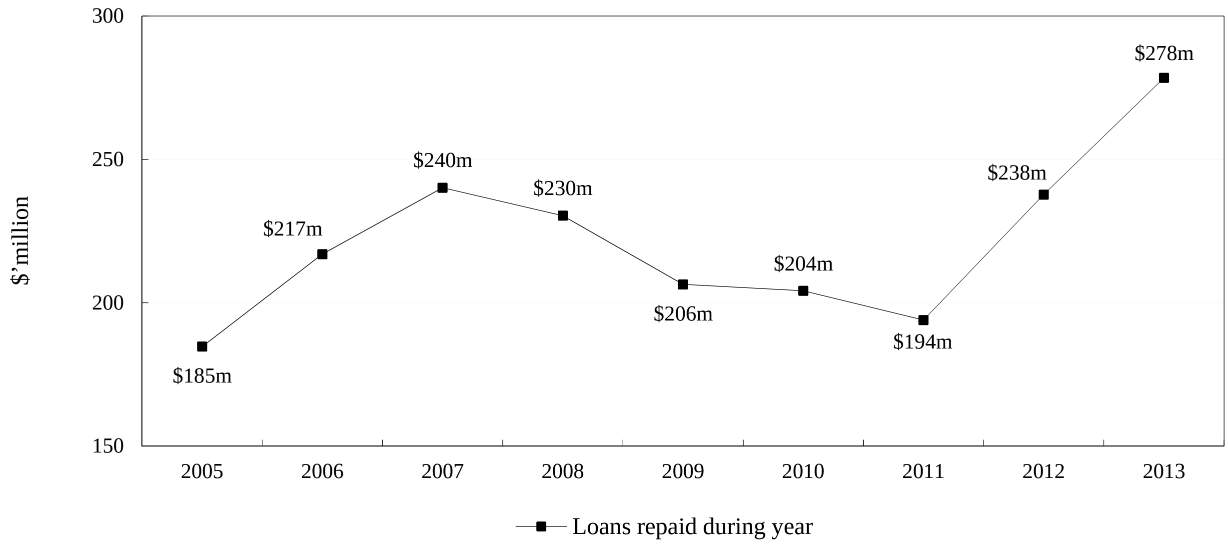
The following table summarises the net cash flows for the four years to 2013.

	2013 $'million	2012 $'million	2011 $'million	2010 $'million
Net cash flows				
Operating	11	10	7	10
Investing	9	(56)	(174)	(228)
Financing	(19)	45	169	276
Change in cash	1	(1)	2	(2)
Cash at 30 June	4	3	4	2

Investing activities relate primarily to the provision of loans to customers. In 2013 there was a net $15.5 million cash inflow ($47.3 million cash outflow) for customer loans, and corresponded to the marginal decrease in gross loans and advances. The decrease in investing activities resulted in less financing requirements, with financing cash flows reflecting a $12.8 million decrease ($51.6 million increase) in net borrowings.

Customer loans repaid

The repayment of customer loans is shown in the chart below.



From 2008 to 2011 the quantum of customer loan repayments (including discharges) steadily decreased even though the overall loans and advances balance increased. The reduction was due to fewer customers discharging their loans and moving to other lenders in the market. This was partly attributable to the changes in the financial sector from a reduction in the number of non-bank lenders in the market and tighter lending practices by other financial institutions (as discussed under 'Loans and advances' above).

Customer repayments increased substantially in 2012 and 2013. The increase is due largely to the reduction in interest rates resulting in:

- customers choosing to repay more debt or refinance with other institutions to take advantage of more suitable loan arrangements
- fixed repayment loan products repaying proportionately more principal.

HomeStart operating parameters

As detailed in last year's Report, Cabinet approved revised operating parameters for HomeStart in April 2012. The purpose of reviewing the parameters was to enable a higher degree of certainty in HomeStart's business operations and delivery of home ownership opportunities.

Cabinet also approved HomeStart preparing a charter and performance statement, to be approved annually by the Treasurer and the Minister for Housing and Urban Development. The charter and performance statement for 2012-13 were approved in November 2012.

Performance targets

The HomeStart's performance targets compared to actual results are detailed below.

	Cabinet approved operating parameters	Performance statement target for 2013	2013 result	2012 result
Operating profit before tax	n/a	$14.4 million	$16.4 million	$14.4 million
Return on equity (ROE)	9%	9.1%	10.3%	9.2%
Cost to income ratio (CTI)	55% by 2015-16	56.6%	53.6%	56.3%
Capital adequacy ratio (CAR)	12%	12.3%	14.1%	13.6%

To enable HomeStart to meet the ROE target of 9%, the April 2012 Cabinet approval included a new CSO payment which is to phase out over time. No CSO payment for this purpose was received in 2013. HomeStart received $4.4 million in 2012. The 2012 ROE and CTI without the subsidy would have been 6.4% and 62.9% respectively. A major contributing factor to HomeStart not achieving the 9% ROE in 2012 was a $3.6 million unrealised loss from the unrealised change in the fair value of the breakthrough loan product (refer to comments under 'Breakthrough loans' above).

A significant factor contributing to the improvement in HomeStart's ROE and therefore the lack of need for the CSO payments, was the improvement in the net interest income, which has been discussed above in the commentary on the Statement of Profit or Loss and Other Comprehensive Income.

Dividend payout ratio

Cabinet approved a dividend payout ratio of 60%, based on after tax profit. The Treasurer approved the dividend in June 2013 (refer note 29 to the financial statements).

Borrowing limit

Cabinet approved increased borrowing limits for HomeStart of $2 billion in 2012, $2.105 billion in 2013, $2.216 billion in 2014, $2.332 billion in 2015 and $2.454 billion in 2016, subject to the Treasurer's approval. The increase in borrowing limits in the future periods is to reflect long-term house price growth rate.

The borrowing limit approved by the Treasurer was increased to $2.105 billion from 1 July 2012.

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Interest income	5	125 409	142 369
Interest expense	5	(65 670)	(87 211)
Net interest income	5	59 739	55 158
Other income	6	13 083	17 026
Net gain (loss) from disposal of assets	7	1	(2)
Bad and impaired loans expense	8	(4 095)	(3 694)
Loan manager fees		(6 659)	(6 883)
Employee expenses	10	(10 892)	(10 278)
Depreciation and amortisation expense	14	(558)	(541)
Other expenses	15	(7 166)	(9 376)
Profit (Loss) before income tax equivalents and guarantee fee expenses		43 453	41 410
Government guarantee fee	9	(27 100)	(27 003)
Profit (Loss) before income tax equivalents		16 353	14 407
Income tax equivalents expense	2.5	(4 906)	(4 322)
Profit (Loss) after income tax equivalents expense		11 447	10 085
Items that may be reclassified subsequently to profit if specific conditions are met:			
Change in fair value of derivatives		4 308	(7 397)
Change in fair value of available-for-sale assets	19.4	803	-
Total comprehensive result		16 558	2 688

Total comprehensive result is attributable to the State Government as owner

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Assets:			
Cash and cash equivalents	36.1	4 373	2 781
Financial investments designated at fair value through profit or loss	17	108 299	106 469
Financial investments - held to maturity	18	-	12 089
Financial investments - available for sale	19	13 958	-
Loans and advances	20	1 853 133	1 866 809
Other financial assets	21	1 136	1 044
Property, plant and equipment	22	1 222	1 361
Intangible assets	23	3 572	1 561
Other assets	24	303	290
Total assets		1 985 996	1 992 404
Liabilities:			
Payables	25	6 984	7 401
Derivative financial instruments	32.2.2	6 267	10 587
Short-term borrowings	26	587 560	660 364
Employee benefits	27	2 151	1 958
Income tax equivalents payable	28	2 659	2 174
Provision for dividend	29	576	37
Other liabilities	30	3 594	3 368
Long-term borrowings	26	1 212 000	1 152 000
Total liabilities		1 821 791	1 837 889
Net assets		164 205	154 515
Equity:			
Reserves	31	3 300	(1 429)
Retained earnings	31	160 905	155 944
Total equity		164 205	154 515

Total equity is attributable to the State Government as owner

Unrecognised contractual commitments	34
Contingent assets and liabilities	35

Statement of Changes in Equity
for the year ended 30 June 2013

	Note	Retained earnings $'000	General reserve for credit losses $'000	Derivatives valuation reserve $'000	Available-for-sale revaluation reserve $'000	Total $'000
Balance at 30 June 2011		152 264	8 804	(3 190)	-	157 878
Profit after income tax equivalents expense for 2011-12		10 085	-	-	-	10 085
Derivative gain (loss) recognised directly in equity	2.13,32.4.2	-	-	(7 397)	-	(7 397)
Total comprehensive result for 2011-12		10 085	-	(7 397)	-	2 688
Transfer to (from) credit loss reserve	31	(354)	354	-	-	-
Transactions with the State Government as owner:						
Dividends paid/payable	29	(6 051)	-	-	-	(6 051)
Balance at 30 June 2012		155 944	9 158	(10 587)	-	154 515
Profit after income tax equivalents expense for 2012-13		11 447	-	-	-	11 447
Derivative gain (loss) recognised directly in equity	2.13,32.4.2	-	-	4 308	-	4 308
Available-for-sale gain recognised directly in equity		-	-	-	803	803
Total comprehensive result for 2012-13		11 447	-	4 308	803	16 558
Transfer to (from) credit loss reserve	31	382	(382)	-	-	-
Transactions with the State Government as owner:						
Dividends paid/payable	29	(6 868)	-	-	-	(6 868)
Balance at 30 June 2013		160 905	8 776	(6 279)	803	164 205

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

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash inflows:			
Interest received on:			
Cash		53	83
Investments		1 605	724
Loans and advances		122 077	139 427
Fees and commissions received		621	730
Bad debts recovered		173	149
EquityStart grant received		743	810
Community service obligation subsidy received		5 400	9 544
Other		902	498
Total cash inflows from operating activities		131 574	151 965
Cash outflows:			
Payments to employees		(10 639)	(9 984)
Payments to suppliers		(5 739)	(5 618)
Payments to loan managers		(6 292)	(6 590)
Borrowing costs paid		(66 130)	(88 059)
Government guarantee fee paid		(27 121)	(26 919)
Income tax equivalents paid		(4 421)	(5 154)
Total cash outflows from operating activities		(120 342)	(142 324)
Net cash provided by (used in) operating activities	36.2	11 232	9 641
Cash flows from investing activities:			
Cash inflows:			
Proceeds from sale of office and computer equipment	7	1	5
Proceeds from maturity of held-to-maturity investments		986	9 000
Proceeds from sale of investments designated at fair value through profit or loss		29 384	19 236
Shared appreciation components of Breakthrough Loan repaid	33.4	6 582	4 417
Customer loans repaid		278 443	237 680
Total cash inflows from investing activities		315 396	270 338
Cash outflows:			
Payments for property, plant and equipment		(316)	(335)
Payments for software		(2 097)	(1 424)
Payments for investments available for sale		(2 113)	(8 925)
Payment for investments designated at fair value through profit or loss		(30 085)	(20 118)
Shared appreciation components of Breakthrough Loan settled	33.4	(8 349)	(10 551)
Customer loans settled		(262 943)	(284 999)
Total cash outflows from investing activities		(305 903)	(326 352)
Net cash provided by (used in) investing activities		9 493	(56 014)
Cash flows from financing activities:			
Cash inflows:			
Proceeds from borrowings		1 272 407	1 521 564
Total cash inflows from financing activities		1 272 407	1 521 564
Cash outflows:			
Dividend paid		(6 329)	(6 217)
Repayment of borrowings		(1 285 211)	(1 470 000)
Total cash outflows from financing activities		(1 291 540)	(1 476 217)
Net cash provided by (used in) financing activities		(19 133)	45 347
Net increase (decrease) in cash and cash equivalents		1 592	(1 026)
Cash and cash equivalents at 1 July		2 781	3 807
Cash and cash equivalents at 30 June	36.1	4 373	2 781

Notes to and forming part of the financial statements

1. Objectives of HomeStart Finance (HomeStart)

HomeStart was established as a statutory corporation under the Housing and Urban Development (Administrative Arrangements) (HomeStart Finance) Regulations 2007. It reports to the Minister for Housing and Urban Development.

HomeStart's vision is to make home ownership a reality for more people in more ways.

HomeStart Home Loan

HomeStart provides home loans to low to moderate income households and other needs groups with repayments linked to income and the CPI. The HomeStart Home Loan is the principal loan product. The outstanding value of HomeStart Home Loans at 30 June 2013 was $1805.7 million ($1818.5 million).

Subsidies

HomeStart provides subsidised Advantage Loans of up to $30 615 to lower income earners. The Advantage Loan is interest free if it is repaid within five years. The Advantage Loan interest is calculated by reference to the CPI but this interest is waived if the Advantage Loan is repaid in full prior to its fifth anniversary. As at 30 June 2013 the interest rate applying to Advantage Loans was 3.18% (1.23%). The outstanding value of Advantage Loans at 30 June 2013 was $45.2 million ($44.8 million).

For the year ended 30 June 2013 HomeStart received a community service obligation (CSO) subsidy payment of $2.5 million ($2.68 million) from DTF for the Advantage Loan subsidy provided.

HomeStart also provides subsidised EquityStart Loans of up to $50 000 to current public housing tenants. The EquityStart Loan incurs interest at a subsidised rate, which is linked to the CPI. Regular repayments on the EquityStart Loan are optional, and payment can be deferred and paid at the end of the loan period. The outstanding value of EquityStart Loans at 30 June 2013 was $38.8 million ($39.7 million).

HomeStart received grant funding from the Department for Communities and Social Inclusion, to compensate HomeStart for costs incurred in relation to EquityStart Loans.

HomeStart also has loans at concessional interest rates through the City Living Access Loan, Home Ownership Made Easier (H.O.M.E) and Rental Purchase schemes.

Funding

HomeStart funds its mortgage activities from capital and by borrowing from SAFA.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

HomeStart's Statement of Profit or Loss and Other 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 that the following assets and liabilities are stated at their fair value: derivative financial instruments; financial investments at fair value through profit or loss; financial investments classified as available for sale; and subsidised loans and advances.

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 is reported.

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

2.1.1 Statement of compliance

These financial statements are general purpose financial statements. The financial statements have been prepared in accordance with applicable AASs and comply with TIs and APSs promulgated under the provisions of PFAA.

2.1.2 Changes in accounting policies

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income applies to annual reporting periods beginning on or after 1 July 2012. The main change resulting from the AASB 2011-9 is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially classifiable to profit or loss subsequently.

2.1.2 Changes in accounting policies (continued)

HomeStart did not voluntarily change any of its accounting policies during 2012-13.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by HomeStart for the reporting period ended 30 June 2013. HomeStart has assessed the impact of the new and amended standards and interpretations and except for AASB 9 considers there will not be a material impact on the accounting policies or the financial statements of HomeStart. AASB 9 becomes mandatory for HomeStart's financial statements for the year ended 30 June 2016 and could change the classification and measurement of financial assets. The International Accounting Standards Board is currently undertaking a project that may result in limited amendments to the current classification and measurement requirements in AASB 9 and add in new requirements to address the impairment of financial assets and hedge accounting. The extent of the impact of the adoption of AASB 9 has not been determined and depends on the facts existing at the date of initial application.

2.2 Estimates and assumptions

The preparation of financial statements in conformity with AASs requires HomeStart to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.3 Comparative figures

The presentation and classification of items in the financial statements are consistent with prior periods except where a specific APS or an AAS has required a change. Where permitted by a specific APS or AAS, comparative information has been reclassified and disclosed where required.

Where it has been impractical to reclassify comparative amounts, the reason for not reclassifying the amount and the nature of the adjustment has been disclosed.

2.4 Rounding

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

2.5 Taxation

In accordance with TIs issued under the PFAA, HomeStart is required to pay to the State Government an income tax equivalent. The income tax equivalents liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate of 30% (30%) be applied to profit from continuing operations before income tax equivalents.

HomeStart is liable for payroll tax, FBT and GST.

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

- the amount of GST incurred by HomeStart as a purchaser is not recoverable from the ATO
- receivables and payables are stated with the amount of GST included.

HomeStart, being a provider of financial services, is classified as an input taxed entity for GST purposes and consequently absorbs GST costs passed on by suppliers. Reduced input tax credits can only be claimed on a very limited number of input costs.

The net amount of GST recoverable from, or payable to, the ATO is included as an 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.

2.6 Income

Income is recognised in HomeStart's Statement of Profit or Loss and Other Comprehensive Income when and only when it is probable that the flow of economic benefits to the entity will occur and can be reliably measured.

2.6.1 Interest income - non-subsidised loans

Interest income is recognised as it accrues using the effective interest rate method.

2.6.2 Interest income - subsidised loans

Where HomeStart provides subsidised loans, such as Advantage Loans and EquityStart Loans, at rates lower than market interest rates, the initial recognition of these loans at fair value will result in an initial loss being generated in the Statement of Profit or Loss and Other Comprehensive Income, being the difference between the amount disbursed and the fair value. Fair value is measured by discounting the expected cash flows using a market interest rate.

Interest income on these subsidised loans is brought to account using the effective interest method at a risk-free rate of interest, based on four year (for Advantage Loans) and 10 year (for EquityStart Loans) SAFA bonds.

2.6.3 Interest income - both non-subsidised and subsidised impaired loans

Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans are assessed as impaired where they are contractually more than 90 days overdue with security insufficient to cover principal and arrears of interest, or where there is doubt as to the full recovery of principal and interest.

An impaired item may be restored to accrual status only if all arrears have been eliminated by payments from the customer, and HomeStart judges that the customer is capable of servicing their future obligations under the facility, or when it otherwise becomes well secured.

2.6.4 Loan origination fees received or receivable

Income directly attributable to the origination of loans is deferred and recognised in the Statement of Profit or Loss and Other Comprehensive Income as part of the effective interest rate calculation. This method results in origination income being recognised over the five year average life of loans in the portfolio.

The average life and interest recognition pattern of loans in the originated loan portfolio is reviewed annually to ensure the amortisation methodology is appropriate.

2.6.5 Government grants

Grants from the State Government are recognised at their fair value where there is reasonable assurance that the grant will be received and HomeStart will comply with all attached conditions.

DTF makes a CSO subsidy payment to HomeStart as compensation for the provision of Advantage Loan and credit quality subsidies as well as administering the Nunga Loan program. In addition, on 30 April 2012 Cabinet approved that DTF would make an additional CSO payment to HomeStart each financial year to enable HomeStart to meet its target pre-tax return on equity of 9% (if required). The first such payment was received by HomeStart in the financial year ended 30 June 2012.

HomeStart also receives grant funds from the Department for Communities and Social Inclusion to compensate HomeStart for costs incurred in relation to EquityStart Loans.

Government grants relating to costs are deferred and recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

2.6.6 Investment income

For financial investments designated as fair value through profit or loss, changes in fair value of investments (both realised and unrealised) are recognised in the Statement of Profit or Loss and Other Comprehensive Income as they occur.

Distribution income is recognised when received.

2.6.6 Investment income (continued)

For financial investments classified as held to maturity or available for sale, interest income is recognised as it accrues.

2.6.7 Disposal of non-financial assets

Income from disposal of non-financial assets is recognised when control of the asset has passed to the buyer and has been determined by comparing proceeds with carrying amount. The gains or losses arising from disposal of non-financial assets are recognised on a net basis as income or an expense.

2.6.8 Other income

Other income is recognised when earned or recovered and is measured at the fair value of the consideration received or receivable.

2.7 Expenses

Expenses are recognised in HomeStart's Statement of Profit or Loss and Other Comprehensive Income when and only when it is probable that the flow of economic benefits from the entity will occur and can be reliably measured.

2.7.1 Interest expense

Interest payable is expensed in accordance with the accounting policy described at note 2.14.

2.7.2 Government guarantee fee

The Government guarantee fee is expensed as it becomes due at the rate imposed by DTF.

2.7.3 Bad and impaired loans expense

Bad and impaired loans are expensed in accordance with the accounting policy described in note 2.11.

2.7.4 Loan origination fees paid or payable

Fees directly attributable to the origination of loans are deferred and recognised in the Statement of Profit or Loss and Other Comprehensive Income as part of the effective interest rate calculation. This method results in origination fees being expensed over the five year average life of loans in the portfolio.

The average life and interest recognition pattern of loans in the originated loan portfolio is reviewed annually to ensure the amortisation methodology is appropriate.

2.7.5 Employee expenses

Employee expenses are recognised in accordance with the accounting policy described at note 2.17.

2.7.6 Depreciation and amortisation expense

Depreciation and amortisation expense is recognised in accordance with the accounting policy described at note 2.15.4.

2.7.7 Operating lease expense

Operating lease payments are charged to the Statement of Profit or Loss and Other Comprehensive Income on a basis which is representative of the pattern of benefits derived from the leased assets.

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

2.7.8 Tax equivalents expense

The tax equivalents expense is recognised in accordance with the accounting policy described at note 2.5.

2.8 Assets and liabilities

Assets and liabilities are classified in the Statement of Financial Position by their nature and in an order that reflects their relative liquidity. Current and non-current classes are not presented separately.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis.

Cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value. Cash is measured at its nominal value.

2.10 Financial instruments

During the current and comparative financial years HomeStart had the following types of financial instruments:

- cash and cash equivalents (refer note 2.9)
- loans and advances (refer note 2.11)
- investments (unit trusts, SAFA Cash Management Fund, bonds, bank bills, term deposits and the shared appreciation component of Breakthrough Loans) (refer note 2.12)
- derivative financial instruments (refer note 2.13)
- financial liabilities (refer note 2.14).

Under AASB 139, financial instruments are required to be classified into one of five categories which will, in turn, determine the accounting treatment of the financial instrument. The classifications are:

- loans and receivables – initially measured at fair value and then at amortised cost using the effective interest rate method
- held-to-maturity financial assets – measured at amortised cost
- financial instruments designated at fair value through profit or loss – measured at fair value
- available-for-sale financial assets – measured at fair value
- financial liabilities (not at fair value through profit or loss) – measured at amortised cost.

The classification depends on the purpose for which the financial instruments were acquired.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that HomeStart has the positive intention and ability to hold to maturity.

As at 30 June 2013 HomeStart did not hold any held-to-maturity investments. As at 30 June 2012 HomeStart held bank bills as well as investment bonds issued by State Government and non-government institutions. These were reclassified to available for sale during the period.

Financial assets at fair value through profit or loss
A financial asset is classified in this category if so designated by HomeStart. HomeStart’s policy is to designate a financial asset at fair value through profit or loss if it is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investments strategy, and information about the financial asset is provided internally on that basis to HomeStart’s key management personnel.

HomeStart has designated the shared appreciation component of the Breakthrough Loan as well as its investments in unit trusts, the SAFA Cash Management Fund and term deposits as financial assets at fair value through profit or loss.

Derivatives are also categorised as financial assets at fair value through profit or loss unless they are effective hedges of cash flows.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

As at 30 June 2013 HomeStart classified its investments in bonds issued by State Governments and non-government institutions as available for sale. As at 30 June 2012 HomeStart did not have any available-for-sale financial assets.

Financial liabilities
HomeStart’s short-term and long-term borrowings are financial liabilities.

Impairment
HomeStart assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Impairment of financial assets carried at amortised cost
The recoverable amount of HomeStart's investments in held-to-maturity securities and loans and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (ie the effective interest rate computed at initial recognition of these financial assets).

The carrying amount of assets carried at amortised cost is reduced through the use of a provision account. The amount of the loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income. An impairment loss in respect of held-to-maturity securities or loans and receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Reference should be made to note 2.11 for additional information in relation to the assessment of impairment of loans and receivables.

Impairment of available-for-sale financial assets
When a decline in the fair value of an available-for-sale financial asset has been recognised in the available-for-sale revaluation reserve and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised in the available-for-sale revaluation reserve is reclassified to profit or loss.

The amount of the cumulative loss that is reclassified is the difference between the acquisition cost (net of any amortisation) and current fair value, less any impairment loss previously recognised in profit or loss.

2.11 Loans and advances

Loans measured at amortised cost
Loans and advances are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method and taking account of principal repayments and impairment losses.

For subsidised loans, fair value is less than their face value. On settlement of subsidised loans an initial loss is recognised as an expense, being the difference between the face and fair values, which is then recognised as income over the expected life of the loan, using the effective interest rate method.

Effective interest rate
The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the net carrying amount of the loan or advance. When estimating the future cash flows, HomeStart considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees paid or received that are integral to the contract.

Provision for impairment
HomeStart assesses at each financial year end whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the end of the financial year (a loss event) and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

Loans and advances are individually assessed for impairment. If HomeStart determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, geographical location, collateral, past due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Provision for impairment
Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of projected cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. In addition, HomeStart uses its experienced judgment to estimate the amount of an impairment loss.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to take into consideration HomeStart's actual loss experience.

For loans and receivables, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised using a provision account and the amount of the loss is included in the Statement of Profit or Loss and Other Comprehensive Income.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the provision account. The amount of the reversal is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

In addition, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolios. This reserve represents the difference between the impairment provisions calculated under AASs and that determined under the former Australian Generally Accepted Accounting Principles, net of income tax equivalents. Movements in the general reserve for credit losses are recognised as a transfer of retained earnings.

Bad debts
All bad debts are written off in the period in which they are classified as not recoverable. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Statement of Profit or Loss and Other Comprehensive Income.

2.12 Investments

Held-to-maturity investments
As at 30 June 2013 HomeStart did not classify any investments as held to maturity ($12.1 million).

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity where HomeStart has the positive intention and ability to hold to maturity. HomeStart does not classify any financial assets as held to maturity if the entity has, during the current annual reporting period or during the two preceding annual reporting periods, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity.

Investments that are intended to be held to maturity are stated at amortised cost using the effective interest rate method less impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when the investments are derecognised or impaired.

Investments at fair value through profit or loss
HomeStart has designated the shared appreciation component of the Breakthrough Loan as well as its investments in unit trusts, the SAFA Cash Management Fund and term deposits as financial assets at fair value through profit or loss.

Investments at fair value through profit or loss (continued)
Financial assets at fair value through profit or loss are carried at fair value. Gains or losses arising from changes in fair value are presented in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

Shared appreciation component of the Breakthrough Loans
The Breakthrough Loan facility includes two loan components:

- a standard loan component with standard interest rates and repayments which operate under identical terms to HomeStart's current standard loan product. This portion of the Breakthrough Loan is recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method and taking account of principal repayments and impairment losses
- a shared appreciation component where repayment of the loan balance is generally deferred until sale of the property upon which time the loan balance is repaid along with a scheduled percentage of the appreciated value of the property.

The shared appreciation component is measured at fair value through profit or loss. The fair value of this loan component is based on independent valuations of the properties pledged as collateral. Gains or losses arising from changes in fair value are presented in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

Available-for-sale investments
As at 30 June 2013 HomeStart classified its investments in government bonds with a fair value of $14 million ($0) as available for sale.

When purchased, available-for-sale investments are initially recognised at fair value plus transaction costs. Subsequent gains or losses arising from changes in fair value are included as a separate component of equity in the available-for-sale revaluation reserve except for interest, which is recognised directly in the income statement. When the investment is sold, the cumulative gain or loss relating to the investment is transferred from the available-for-sale revaluation reserve to the Statement of Profit or Loss and Other Comprehensive Income.

Where there is objective evidence of impairment of an available-for-sale investment, the cumulative loss relating to that asset is removed from equity and recognised in the Statement of Profit or Loss and Other Comprehensive Income. If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment event, the loss is reversed through the Statement of Profit or Loss and Other Comprehensive Income.

2.13 Derivative financial instruments

HomeStart is exposed to changes in interest rates arising from financing activities, and it uses derivatives to hedge this risk. Derivative financial instruments are not held for speculative purposes.

HomeStart does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at cost and subsequent to initial recognition are stated at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows determined using the yield curve at year end.

HomeStart designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or hedges of highly probable forecast transactions (cash flow hedges). For the current reporting and comparative periods HomeStart has only cash flow hedges.

HomeStart documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. HomeStart also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 32.2.2. Movements in the derivatives valuation are shown in the Statement of Changes in Equity.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised directly in equity in the derivatives valuation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income.

Effectiveness tests are performed on all derivative financial instruments to determine if they are still providing the protection originally intended when entered into by HomeStart. Where a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria, any gain or loss on the instrument previously recognised in equity is reversed through the Statement of Profit or Loss and Other Comprehensive Income with all subsequent gains or losses recognised through the Statement of Profit or Loss and Other Comprehensive Income.

2.14 Interest bearing borrowings
Interest bearing borrowings are initially recognised at fair value, net of transaction costs incurred. Interest bearing borrowings are subsequently stated at amortised cost with any difference between the interest bearing cost and the redemption value being recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowings on the effective interest rate basis.

2.15 Non-financial assets
2.15.1 Property, plant and equipment
Assets are recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition, less accumulated depreciation (refer note 2.15.4) and impairment losses. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. If, however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements, then the assets are recorded at the value recorded by the transferor prior to transfer.

At the expiration of the lease of its office accommodation, HomeStart is required by the lease agreement to return the premises to its original condition (make good). The costs involved in doing so have been included in the cost of HomeStart's leasehold improvements. This amount has been calculated as an estimate of future costs and discounted to a present value.

HomeStart capitalises all non-current tangible assets with a value of $1000 or greater.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

2.15.2 Intangible assets
An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are recorded at cost less accumulated amortisation (refer note 2.15.4).

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138, and when the amount of expenditure is greater than or equal to $1000.

Software assets that are not integral to the operation of hardware are recognised as intangible assets with a finite life. Capitalised software is amortised over the finite life of the asset, with a maximum time limit for amortisation of four years.

Costs in relation to website development are charged as expenses in the period in which they are incurred, unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over the period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs involved in building or enhancing a website to the extent they represent probable future economic benefits controlled by HomeStart that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits.

2.15.3 Impairment and revaluation
In accordance with APF III:

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

2.15.3 Impairment and revaluation (continued)

If at any time HomeStart 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.

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

An impairment loss is recognised whenever 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.15.4 Depreciation and amortisation of non-financial assets

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

The useful lives of all major assets held by HomeStart are reassessed on an annual basis.

The value of leasehold improvements is amortised over the estimated useful life of each improvement.

Depreciation and amortisation of non-current assets for current and comparative period is determined as follows:

Class of asset	*Depreciation method*	*Useful life (years)*
Leasehold improvements	Straight-line	10
Other office and computer equipment	Straight-line	2-10
Intangible assets	Straight-line	4

2.16 Payables

Payables include creditors, accrued expenses, employment on-costs, interest, guarantee fee and loan manager fees.

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 HomeStart.

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.

Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, LSL and annual leave.

All payables are measured at their nominal amount and are normally settled within 30 days from the date the invoice is first received (in accordance with TI 11).

2.17 *Employee benefits*

2.17.1 Long-term service benefits

The liability for LSL is measured at the present value of expected future payments to be made in respect of services paid by employees up to the reporting period using the projected unit credit method.

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 State 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.

2.17.2 Wages, salaries, annual leave and sick leave

Liabilities for employee benefits for salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date and represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration salary rates that HomeStart expects to pay as at reporting date.

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

The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

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

2.18 *Insurance*

HomeStart has arranged, through SAICORP, a division of SAFA, to insure all major risks of HomeStart. The excess payable under this arrangement varies depending on each class of insurance held.

2.19 *Accounting judgments, estimates and assumptions*

The preparation of the financial statements requires the use of certain accounting estimates and requires HomeStart to exercise its judgment in the process of applying HomeStart's accounting policies.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The areas involving a higher degree of estimate and judgment that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual financial reporting period are outlined hereafter. References to relevant notes within the financial statements are also provided.

Area of estimate and judgment	*Note*
Investments at fair value through profit or loss (excluding the shared appreciation component of Breakthrough Loans)	2.12, 33.2, 33.3
Investments - at fair value through profit or loss - shared appreciation component of the Breakthrough Loan	2.12, 33.2, 33.3
Fair value of subsidised loans and advances	2.6.2
Loan origination fees received or receivable	2.6.4
Loan origination fees paid or payable	2.7.4
Provision for impairment of loans and advances	2.11
Unearned income (EquityStart grant)	2.6.5, 30.2
General reserve for credit losses	2.11, 31
Derivative financial instruments	2.13, 33.2

3. Government/Non-government disclosures

In accordance with APF II, APS 4.1, HomeStart has included details of income, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the State Government in the notes to the accounts.

4. Segment reporting

HomeStart operates in one geographical segment (South Australia) and its principal activity is the provision of home finance to lower income groups.

5. Net interest income

	2013	2012
Interest received/receivable from entities external to the State Government:	$'000	$'000
Loans and advances	120 511	136 714
Subsidised loans effective interest income	3 932	3 970
Subsidised loans fair value expense	(1 810)	(1 164)
Loan origination income amortisation	2 717	2 767
Deposits with banks	59	82
Total interest received/receivable from entities external to the State Government	125 409	142 369
Interest paid/payable to entities within the State Government:		
Borrowings from SAFA	(65 670)	(87 211)
Total interest paid/payable to entities within the State Government	(65 670)	(87 211)
Net interest income	59 739	55 158

Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. HomeStart has recognised interest income of $1.7 million ($1.86 million) on impaired loans. This interest has been included in the assets' carrying amounts when determining the amount of impairment loss to be included in the Statement of Profit or Loss and Other Comprehensive Income (refer notes 2.6 and 2.11).

6. Other income

	2013	2012
Other income received/receivable from entities external to the State Government:	$'000	$'000
Fees and charges	3 587	3 552
Bad debts recovered	173	276
Realised change in fair value of loans	249	305
Managed funds distribution	596	433
Unrealised change in fair value of investments	3	75
Realised change in fair value of investments	-	48
Interest received from investments at fair value through the profit or loss	906	444
Interest received from held-to-maturity investments	-	711
Interest received from available-for-sale investments	755	-
Other	78	74
Total other income received/receivable from entities external to the State Government	6 347	5 918
Other income received/receivable from entities within the State Government:		
Managed funds distribution	219	829
EquityStart grant	898	844
CSO subsidy	5 400	9 117
Other	219	318
Total other income received/receivable from entities within the State Government	6 736	11 108
Total other income	13 083	17 026

EquityStart grant funds and CSO subsidy received

During the financial year, HomeStart received $700 000 ($800 000) in grant funds from the Department for Communities and Social Inclusion, to compensate HomeStart for costs incurred in relation to EquityStart Loans. Refer note 30.2 for information in relation to the recognition of EquityStart grant income.

DTF makes a CSO subsidy payment to HomeStart as compensation for the provision of Advantage Loan and credit quality subsidies as well as administering the Nunga Loan program. In addition, on 30 April 2012 Cabinet approved that DTF would make an additional CSO payment to HomeStart each financial year to enable HomeStart to meet its target pre-tax return on equity of 9% (if required). No such payment was received in the financial year ended 30 June 2013 ($4.37 million).

7. Net gain (loss) from disposal of assets	2013 $'000	2012 $'000
Proceeds from disposal of assets	1	5
Net book value of assets disposed	-	(7)
Total net gain (loss) from disposal of assets	1	(2)

8. Bad and impaired loans expense		
Bad and impaired loans expensed	844	536
Increase in provision for impairment	3 251	3 158
Total bad and impaired loans expense	4 095	3 694

9. Government guarantee fee		
Government guarantee fee paid or payable to entity within the State Government	27 100	27 003
Total Government guarantee fee paid or payable to entity within the State Government	27 100	27 003

HomeStart paid a guarantee fee of 1.5% of outstanding borrowings to DTF in 2012-13 (1.5%). From 1 July 2013 HomeStart will pay a guarantee fee of 1.6% of outstanding borrowings.

10. Employee expenses, remuneration and number of employees		
Salaries and wages	9 131	8 479
LSL	195	481
Annual leave	6	35
Employment on-costs - superannuation	834	783
Employment on-costs - other	482	235
Board fees	244	265
Total employee expenses	10 892	10 278

Remuneration of employees	2013	2012
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
$134 000 - $137 999	n/a	1
$138 000 - $147 999	4	2
$158 000 - $167 999	-	2
$188 000 - $197 999	-	1
$198 000 - $207 999	1	-
$228 000 - $237 999	-	1
$238 000 - $247 999	-	1
$248 000 - $257 999	2	-
$258 000 - $267 999	-	1
$328 000 - $337 999	-	1
$338 000 - $347 999	1	-
$528 000 - $537 999*	1	-
Total	9	10

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, termination payments, superannuation contributions, payments in lieu of leave, fringe benefits and any FBT paid in respect of those benefits and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $2.14 million ($2.01 million).

* This band includes a termination payment as well as regular remuneration paid prior to redundancy.

Number of employees

HomeStart employed 110 people at the end of the reporting period (107).

11. Key management personnel disclosures

The following employees held authority and responsibility for planning, directing and controlling the activities of HomeStart for the entire financial year:

- John Oliver (Chief Executive Officer)
- Deborah Dickson (General Manager People and Strategy)
- John Rolfe (General Manager Retail)
- Ian Wheaton (General Manager Treasury, Finance and Risk).

11. Key management personnel disclosures (continued)

John Comley (General Manager Corporate Services and Chief Financial Officer) held authority and responsibility for planning, directing and controlling the activities of HomeStart from the start of the financial year until 18 April 2013.

Key management personnel compensation

The compensation of the above key management personnel included in employee expenses (refer note 10) is as follows:

	2013	2012
	$	$
Short-term employee benefits	1 158 734	1 181 844
Termination benefits	308 496	-
Long-term employee benefits (LSL)	33 062	29 256
Long-term employee benefits (amounts paid to superannuation plans)	102 925	79 108
Total key management personnel compensation	1 603 217	1 290 208

12. Related parties

All transactions between HomeStart and related parties are on arm's length terms and conditions.

During the financial year HomeStart undertook transactions with the following related parties. The nature and amounts of these transactions have been disclosed throughout the financial statements:

- employees who are key management personnel
- board members
- Department for Communities and Social Inclusion
- Department of Planning, Transport and Infrastructure
- DTF
- SAFA.

Board members

The following persons were members of the Board of HomeStart during the whole of the financial year:

Claude Long (Chair)
Jim Kouts (Deputy Chair)
Chris Ward
Sue Edwards
David Garrard
Lindsay Nicholson

Sandra De Poi was a member of the Board of HomeStart from the start of the financial year until her resignation on 29 August 2012.

Maria Palumbo was a member of the Board of HomeStart from her appointment on 4 April 2013 until the end of the financial year.

Board members' remuneration		2013	2012
The remuneration of the Board of HomeStart included in	Note	$	$
employee expenses is as follows:	10		
Short-term benefits	10	243 914	265 453
Long-term employee benefits (amounts paid to superannuation plans)		21 952	23 891
Total board members' remuneration		265 866	289 344

	2013	2012
The number of HomeStart board members whose remuneration received or receivable falls within the following bands:	Number	Number
$0 - $9 999	2	-
$30 000 - $39 999	3	4
$40 000 - $49 999	2	2
$50 000 - $59 999	1	1
Total	8	7

Apart from the details disclosed in this note, no board member has entered into a contract with HomeStart since the end of the previous financial year and there were no contracts involving board members' interests existing at year end.

13. Economic dependency

HomeStart has an economic dependency on the following suppliers of services:

Financing services

SAFA is the sole provider of funds to HomeStart.

Loan management services

HomeStart contracts a significant proportion of its loan management services to BankSA, The Home Loan Centre, Homeloans Plus and Bernie Lewis.

14. Depreciation and amortisation expense

	2013	2012
Depreciation:	$'000	$'000
Other office and computer equipment	238	189
Total depreciation	238	189
Amortisation:		
Leasehold improvements	217	206
Intangible assets	103	146
Total amortisation	320	352
Total depreciation and amortisation	558	541

15. Other expenses

	2013	2012
Other expenses arising from transactions with entities within the State Government:		
External auditor's remuneration	156	154
Valuer-General services	13	11
Insurance	86	77
Total other expenses arising from transactions with entities within the State Government	255	242
Other expenses arising from transactions with entities external to the State Government:		
Unrealised change in fair value of loans(1)	1 465	3 603
Office accommodation (minimum lease payments)	849	826
Marketing, product development and advertising	1 230	1 009
Internal audit fees	315	294
Loan administration	237	189
Information technology	564	532
Consultants' fees	56	119
Human resources and staff development	551	615
Other	1 644	1 947
Total other expenses arising from transactions with entities external to the State Government	6 911	9 134
Total other expenses	7 166	9 376

The number and dollar amount of consultancies paid/payable that fell within the following bands:	2013 Number	2013 $'000	2012 Number	2012 $'000
Below $10 000	3	10	4	20
Between $10 000 and $50 000	3	46	4	99
Total paid/payable to the consultants engaged	6	56	8	119

(1) The shared appreciation component of the Breakthrough Loan is measured at fair value through profit or loss. The fair value of this loan component is based on independent valuations of the properties pledged as collateral. The losses arising from changes in fair value are unrealised.

16. Auditor's remuneration

	2013	2012
Audit fees paid/payable to the Auditor-General's Department	$'000	$'000
relating to the audit of the financial statements	156	154
Total audit fees - State Government entities	156	154

The amounts disclosed above are inclusive of GST.

Other services

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

17. Financial investments designated at fair value through profit or loss

17.1 Financial investments designated at fair value through profit or loss

	2013 $'000	2012 $'000
Financial investments designated at fair value through profit or loss with an entity within the State Government:		
SAFA Cash Management Fund	6 544	6 583
Total financial investments designated at fair value through profit or loss with an entity within the State Government	6 544	6 583
Financial investments at fair value through profit or loss with entities external to the State Government:		
Term deposits	17 085	20 118
Unit trusts	14 121	9 521
Breakthrough Loan (shared appreciation component)	70 549	70 247
Total financial investments designated at fair value through profit or loss with entities external to the State Government	101 755	99 886
Total financial investments designated at fair value through profit or loss	108 299	106 469

17.2 Maturity profile of HomeStart's financial investments designated at fair value through profit or loss

At call	20 665	16 104
Not longer than three months	4 000	4 000
Longer than three months and not longer than 12 months	13 085	16 118
Longer than five years	70 549	70 247
Total investments designated at fair value through profit and loss	108 299	106 469

17.3 Risk exposure

Information in relation to HomeStart's exposure to investment price risk is provided in notes 32.4.3 and 32.4.4.

18. Financial investments - held to maturity

18.1 Financial investments - held to maturity

Financial investments - held to maturity with entities external to the State Government:		
Bonds	-	12 089
Total financial investments - held to maturity	-	12 089

18.2 Maturity profile of HomeStart's financial investments - held to maturity

Longer than 12 months and not longer than five years	-	9 034
Longer than five years	-	3 055
Total financial investments - held to maturity	-	12 089

18.3 Risk exposure

Information in relation to HomeStart's exposure to investment price risk is provided in note 32.4.3.

18.4 Reconciliation of held-to-maturity investments

Opening balance at 1 July	12 089	12 103
Reclassification to available for sale	(11 093)	-
Acquisitions	-	8 925
Disposals	(986)	(9 000)
Amortisation	(10)	61
Closing balance at 30 June	-	12 089

On 19 October 2012 HomeStart sold a bond with a face value of $1 million and maturity date of 25 February 2014. From this time it has reclassified the remaining held-to-maturity investment portfolio as available for sale, in accordance with AASB 139.

19. Financial investments - available for sale

19.1 Financial investments - available for sale

	2013 $'000	2012 $'000
Financial investments - held with entities external to the State Government:		
Bonds	13 958	-
Total financial investments - available for sale	13 958	-

19.2 Maturity profile of HomeStart's financial investments - available for sale

	2013 $'000	2012 $'000
Longer than three months and not longer than 12 months	4 094	-
Longer than 12 months and not longer than five years	6 649	-
Longer than five years	3 215	-
Total financial investments - available for sale	13 958	-

19.3 Risk exposure

Information in relation to HomeStart's exposure to investment price risk is provided in note 32.4.3.

19.4 Reconciliation of available-for-sale investments

	2013 $'000	2012 $'000
Opening balance at 1 July	-	-
Reclassification from held to maturity	11 093	-
Acquisitions	2 112	-
Disposals	-	-
Amortisation	(50)	-
Change in fair value (recognised directly in equity)	803	-
Closing balance at 30 June	13 958	-

Information in relation to the reclassification of investments from held to maturity to available for sale is provided in note 18.4.

20. Loans and advances

20.1 Loans and advances

	2013 $'000	2012 $'000
Primary loans	1 805 740	1 818 512
Subsidised loans	85 957	86 418
Gross loans and advances	1 891 697	1 904 930
Fair value adjustment	(15 459)	(16 050)
Deferred loan fee income	(5 377)	(5 586)
Deferred loan fee expense	2 380	2 732
Specific provisions for impairment	(10 596)	(9 247)
Collective provision for impairment	(9 512)	(9 970)
Net loans and advances	1 853 133	1 866 809
Specific provision for impaired loans:		
Opening balance	9 247	8 222
Bad debts written off	(2 360)	(2 070)
Impairment expense	3 709	3 095
Closing balance	10 596	9 247
Collective impairment provision:		
Opening balance	9 970	9 908
Impairment expenses	(458)	62
Closing balance	9 512	9 970
Total provision for impairment	20 108	19 217

20.2 Risk exposures

Information in relation to HomeStart's exposure to credit risk for loans and advances is provided in note 32.2.1.

21. Other financial assets

	2013 $'000	2012 $'000
Other financial assets - entities within the State Government:		
Accrued financial investment income	16	22
EquityStart grant receivable	136	121
Other	14	31
Total other financial assets - entities within the State Government	166	174

21. Other financial assets (continued)

	2013	2012
Other financial assets - entities external to the State Government:	$'000	$'000
Deferred financial investment income	138	146
Accrued interest on housing loans and advances	313	348
Accrued interest on cash at bank	11	5
Accrued financial investment income	455	325
GST recoverable	47	45
Other	6	1
Total other financial assets - entities external to the State Government	970	870
Total other financial assets	1 136	1 044

22. Property, plant and equipment

	2013	2012
Leasehold improvements		
Leasehold improvements at cost	2 249	2 202
Accumulated depreciation	(1 604)	(1 392)
Total leasehold improvements	645	810
Other office and computer equipment:		
Other office and computer equipment at cost	3 304	3 093
Accumulated depreciation	(2 727)	(2 542)
Total other office and computer equipment	577	551
Total property, plant and equipment	1 222	1 361

	Leasehold imprvmnts $'000	Other office and computer equipment $'000	2013 Total $'000	Leasehold imprvmnts $'000	Other office and computer equipment $'000	2012 Total $'000
Carrying amount at 1 July	810	551	1 361	968	460	1 428
Additions	52	264	316	48	287	335
Disposals - at cost	(5)	(53)	(58)	-	(172)	(172)
Disposals - accumulated deprecation	5	53	58	-	165	165
Depreciation and amortisation	(217)	(238)	(455)	(206)	(189)	(395)
Carrying amount at 30 June	645	577	1 222	810	551	1 361

23. Intangible assets

	2013	2012
	$'000	$'000
Software at cost	4 989	2 875
Accumulated amortisation	(1 417)	(1 314)
Total software	3 572	1 561
Carrying amount at 1 July	1 561	283
Additions	2 114	1 424
Disposals	-	-
Amortisation	(103)	(146)
Carrying amount at 30 June	3 572	1 561

All intangible assets were acquired externally directly from software suppliers or through contract arrangements.

24. Other assets

	2013	2012
Other assets - entities external to the State Government		
Prepayments	303	290
Total other assets - entities external to the State Government	303	290
Total other assets	303	290

25. Payables

25.1 Payables

	2013	2012
Payables to entities within the State Government:		
Creditors	4	-
Accrued administration expenses	166	165
Employment on-costs	385	326
Accrued interest payable on borrowings	3 038	3 614
Accrued interest payable on derivatives	322	194
Accrued guarantee fee payable	2 211	2 232
Total payables to entities within the State Government	6 126	6 531

25.1 Payables (continued)

	2013	2012
Payables to entities external to the State Government:	$'000	$'000
Creditors	299	289
Accrued administration expenses	68	106
Accrued loan manager fees	491	475
Total payables to entities external to the State Government	858	870
Total payables	6 984	7 401

25.2 Settlement profile of HomeStart's payables

All payables will be settled within 12 months of the reporting date.

26. Borrowings

26.1 Interest bearing liabilities

	2013	2012
Short-term borrowings payable to an entity within the State Government:		
Short-term borrowings	587 560	660 364
Total short-term borrowings payable to an entity within the State Government	587 560	660 364
Long-term borrowings payable to an entity within the State Government:		
Long-term borrowings	1 212 000	1 152 000
Total long-term borrowings payable to an entity within the State Government	1 212 000	1 152 000
Total interest bearing liabilities	1 799 560	1 812 364

26.2 Security

All HomeStart borrowings are unsecured.

26.3 Risk exposure

Information in relation to HomeStart's exposure to liquidity and interest rate risks is provided in notes 32.3 and 32.4 respectively.

27. Employee benefits

27.1 Employee benefits

	Note	2013 $'000	2012 $'000
Accrued salaries		-	8
Annual leave		640	634
LSL		1 511	1 316
Total employee benefits		2 151	1 958

27.2 Aggregate employee benefits

	Note	2013	2012
Accrued salaries:			
On-costs		77	54
Provision for employee benefits		-	8
Total accrued salaries		77	62
Annual leave:			
On-costs		89	88
Provision for employee benefits		640	634
Total annual leave		729	722
LSL:			
On-costs		219	184
Provision for employee benefits		1 511	1 316
Total LSL		1 730	1 500
Total employee on-costs	25	385	326
Total provision for employee benefits		2 151	1 958
Total employee benefits and related on-costs		2 536	2 284

27.3 Calculation of LSL

AASB 119 contains the calculation methodology for LSL liability. This year, the actuarial assessment performed by DTF was used to calculate the liability rather than using a shorthand measurement technique for the calculation of the liability. The effect of the change relating to the current period is immaterial.

27.3 Calculation of LSL (continued)

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has increased from 3% in 2012 to 3.75% in 2013.

The net financial effect of the changes in methodology and actuarial assumptions in the current year is immaterial. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions, a key assumption being the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

27.4 Settlement period of LSL

HomeStart policy allows any employee who has completed seven years of continuous service to:

- have their LSL entitlements paid to them on leaving HomeStart, as part of their termination payment
- take pro-rata LSL
- cash out a proportion of their LSL, in lieu of taking the leave.

HomeStart therefore does not have an unconditional right to defer settlements of the LSL liability for at least 12 months after the reporting date.

28. Income tax equivalents payable

	2013 $'000	2012 $'000
Income tax equivalents payable to an entity within the State Government	2 659	2 174
Total tax equivalents liability payable to an entity within the State Government	2 659	2 174

29. Provision for dividend

Dividend payable to an entity within the State Government	576	37
Total dividend payable to an entity within the State Government	576	37

Pursuant to section 26 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, HomeStart must recommend to the Minister for Housing and Urban Development that it pay a specified dividend or not pay a dividend for the financial year, as it considers appropriate. The Minister may, in consultation with the Treasurer, by notice to HomeStart approve its recommendation or determine that another dividend, or no dividend, should be paid.

For the financial year ended 30 June 2013, the Board of HomeStart recommended the payment of a dividend of 60% of after tax profit (60%). This amounts to a total dividend of $6.87 million in respect of the year ended 30 June 2013 ($6.05 million). The Minister and Treasurer approved this recommendation in June 2013.

HomeStart paid a dividend amount of $6.3 million to DTF prior to the end of the financial year ($6.01 million). HomeStart will be required to pay a further dividend amount of $570 000 in respect of the financial year ended 30 June 2013 ($40 000). These amounts are disclosed as a dividend paid/payable.

30. Other liabilities

30.1 Other liabilities

	2013 $'000	2012 $'000
Other liabilities payable to or arising from transactions with entities within the State Government:		
Unearned income (EquityStart grant)	1 199	1 339
Total other liabilities payable to or arising from transactions with entities within the State Government	1 199	1 339
Other liabilities payable to or arising from transactions with entities external to the State Government:		
Workers compensation provision	21	32
Wyatt Benevolent Institution	2 159	1 805
Make good provision	211	188
City of Salisbury	4	4
Total other liabilities payable to or arising from transactions with entities external to the State Government	2 395	2 029
Total other liabilities	3 594	3 368

30.2 ***Unearned income (EquityStart grant)***	Note	2013 $'000	2012 $'000
Opening balance		1 339	1 422
Amounts received/receivable		758	761
Amounts recognised as earned	6	(898)	(844)
Closing balance		1 199	1 339

AASB 120 requires that government grants related to costs be deferred and recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

30.3 ***Make good provision***	2013 $'000	2012 $'000
Opening balance	188	187
Unwinding of discount arising from the passage of time	23	1
Closing balance	211	188

31. Equity

General reserve for credit losses

A general reserve for credit losses was created to set aside retained earnings being the equivalent of the loans impairment provision determined under former Australian Generally Accepted Accounting Principles in excess of the specific and collective loss provisions determined under AASB 139. The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority prudential risk management requirements of retaining sufficient retained earnings for capital adequacy purposes. Amounts in the general reserve for credit losses will not be reclassified to profit.

Derivatives valuation reserve

The derivatives valuation reserve was created to recognise the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges. When a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria, the gain or loss on the instrument previously recognised in the derivatives valuation reserve is reclassified from equity to profit or loss.

Available-for-sale revaluation reserve

The available-for-sale revaluation reserve was created to recognise the gain or loss on investments that are classified as available for sale. A gain or loss on an available-for-sale financial asset is recognised in the available-for-sale revaluation reserve until the financial asset is derecognised. At that time, the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is reclassified from equity to profit or loss. When a decline in the fair value of an available-for-sale financial asset has been recognised in the available-for-sale revaluation reserve and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in the available-for-sale revaluation reserve is reclassified from equity to profit or loss even though the financial asset has not been derecognised.

32. Financial risk management

32.1 Overview

HomeStart's activities expose it to a variety of financial risks, primarily:

- credit risk
- liquidity risk
- market risk (including interest rate risk and price risk).

This note presents information about HomeStart's exposure to each of the above risks as well as HomeStart's objectives, policies and processes for measuring and managing risk.

Taking risk is core to HomeStart's business. HomeStart aims to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

HomeStart's Board of Management has overall responsibility for the establishment and oversight of HomeStart's risk management framework. The Board has established the Asset and Liability Committee (ALCO) and Audit Committee to develop and monitor HomeStart's risk management policies.

HomeStart's risk management policies are designed to identify and analyse financial risks, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable and up-to-date information systems. HomeStart regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

32.1 Overview (continued)

Financial risk management is the responsibility of HomeStart's internal treasury and risk department which identifies, evaluates and, when feasible and appropriate, hedges financial risks. It operates in accordance with policies approved by the Board and its subcommittees. These written policies cover overall risk management as well as specific areas, such as interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of funds.

HomeStart's Audit Committee is responsible for monitoring compliance with HomeStart's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by HomeStart. The Audit Committee is assisted in these functions by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. HomeStart's ALCO is also directly involved in the risk management process, in particular as it relates to the management of market risk and credit risk.

HomeStart's exposures to financial risk and how they arise as well as its objectives, policies and processes for managing the risk and the methods used to measure the risk have not changed materially from the previous period.

32.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause HomeStart to incur a financial loss by failing to discharge an obligation.

HomeStart's exposure to credit risk arises primarily from loans and advances to customers.

As described below, HomeStart manages its credit risk by dealing with credit worthy customers and counterparties, setting credit limits on its exposures and obtaining collateral.

32.2.1 Loans and advances

(a) Credit risk management

Credit risk is inherent in HomeStart's core function of lending.

HomeStart's credit risk management processes are overseen by the Board and its Audit and ALCO subcommittees.

The Board and its subcommittees are responsible for approving new lending and arrears management policies. The authority to make credit decisions in accordance with these approved policies is delegated by the Board to executive management.

The Board and its subcommittees are responsible for monitoring payment and loss performance and regularly consider trends in the number of loans more than 30 days past due, expected loss analysis performed by both management and an independent actuary and actual losses realised.

The effectiveness of HomeStart's credit risk management framework is monitored via compliance and reporting processes. The Audit Committee is responsible for overseeing the internal audit of adherence to approved lending and arrears management policies.

(b) Risk control and mitigation policies

HomeStart manages, limits and controls credit risks wherever they are identified. Some specific control and mitigation measures are outlined below.

Lending policies

HomeStart's approved lending policies require verification of the customer's income and an assessment of credit worthiness based on credit checks with independent agencies and statistical analysis of the factors most likely to lead to credit default. HomeStart has at no time undertaken lending on a reduced documentation basis or lending which relies in any way on borrowers' self-verification of income.

Collateral

HomeStart holds collateral against loans and advances to customers in the form of registered mortgages over security properties.

HomeStart's credit principles specify that loans may only be made where the customer has the capacity and ability to repay. Obtaining collateral is used to mitigate credit risk.

Collateral (continued)

Procedures are designed to ensure collateral is managed, legally enforceable, conservatively valued and adequately insured at the time of settlement. It is an ongoing condition of the loan contract that this insurance be kept current. Following settlement HomeStart has other insurance arrangements to mitigate the risks arising from uninsured properties.

In the event of a loan default, any loan security is held as mortgagee in possession. Any property thus held does not meet the recognition criteria of AASs and is not recognised in the Statement of Financial Position.

The estimated fair value of collateral held is based on the Valuer-General annual property data or a current formal valuation. As at year end the fair value of collateral for past due and impaired loans was:

	2013	2012
Past due but not impaired:	$'000	$'000
Gross carrying value	108 510	91 049
Fair value of collateral	162 840	140 403
Impaired:		
Gross carrying value, before specific impairment provisions	44 957	39 152
Specific provision for impairment	(10 596)	(9 247)
Net impaired loans and advances	34 361	29 905
Fair value of collateral	45 896	40 093

Concentration of counterparty and geographic risk

HomeStart is not materially exposed to any individual customer. HomeStart only lends in South Australia and is therefore exposed to the property market in this State.

Approximately 27% (28%) of HomeStart's loans by value are secured against properties outside the Adelaide metropolitan area. This represents a risk as the limited market liquidity in country regions as well as the less diversified nature of rural economies can lead to greater volatility in property values. HomeStart currently manages this risk by imposing stricter loan to valuation ratio (LVR) limits when lending in some country locations, and excluding others completely.

At reporting date 30% (31%) of HomeStart's loans by value were secured against properties in the City of Salisbury and the City of Playford. HomeStart's exposure to risk in this geographic area is managed through lending policies as well as obtaining and managing collateral, as described above.

Higher LVR loans

HomeStart has several product categories where the initial LVR is permitted to exceed 95% (higher LVR loans). To mitigate and control associated risks the total dollar value of higher LVR loans is not permitted to exceed internal limits. In order to control volumes of higher LVR lending, HomeStart limits both the geographic range of higher LVR lending and imposes further credit assessment requirements.

Loan provision charge

HomeStart does not require its customers to pay for lenders mortgage insurance. It does, however, require its customers to pay a loan provision charge at the time of advancing a loan.

(c) *Credit risk measurement*

Significant portfolio analysis is performed by management on a regular basis to measure and report credit risk. This work is supplemented by an independent actuarial review performed each year, the outcomes of which include the expected future amounts to be written off.

This operational measurement can be contrasted with the impairment allowances required by AASB 139, which are based on the existence of objective evidence of impairment at the reporting date rather than expected losses (refer notes 2.11 and 20).

The amount of incurred credit losses provided for in the financial statements differs from the amount determined from the expected loss model that is used for internal operational management due to the different methodologies applied.

(c) *Credit risk measurement (continued)*

	2013 $'000	2012 $'000
Expected losses used for internal operational management	16 445	17 532
Provision for impairment in the financial statements	(20 108)	(19 217)
Difference	(3 663)	(1 685)

HomeStart has designated its Breakthrough Loans as being at fair value through profit or loss. The credit risk attaching to the shared appreciation component of the Breakthrough Loan is not material.

(d) *Credit quality and maximum exposure to credit risk*

HomeStart's maximum exposure to credit risk has been recognised in the Statement of Financial Position as the carrying amount, net of any provisions for impairment of $1853.13 million ($1866.81 million).

The credit quality of loans and advances can be assessed by reference to the expected loss amount used for internal operational management (as described above) and the behaviour risk grading system adopted by HomeStart.

The behaviour risk grading system is a statistical tool used to monitor the credit behaviour of loans over time and assign a risk grading to each. Outcomes are monitored regularly to test the validity of assumptions and parameters used.

The following tables set out the carrying value of loans and advances to customers. Further analysis by risk grading is also provided.

	2013 $'000	2012 $'000
Not impaired:		
Neither renegotiated nor past due:		
Low risk	1 422 139	1 385 779
Moderate risk	289 917	358 200
High risk	17 685	20 303
Gross loans and advances neither renegotiated nor past due	1 729 741	1 764 282
Renegotiated:(1)		
Low risk	5 935	6 691
Moderate risk	1 901	2 992
High risk	653	764
Gross loans and advances renegotiated	8 489	10 447
Past due but not impaired:(2)		
Low risk	48 162	30 027
Moderate risk	45 410	44 133
High risk	14 938	16 889
Gross loans and advances past due but not impaired	108 510	91 049
Total not impaired:		
Low risk	1 476 236	1 422 497
Moderate risk	337 228	405 325
High risk	33 276	37 956
Gross loans and advances not impaired	1 846 740	1 865 778
Impaired:(3)		
Low risk	12 518	9 325
Moderate risk	22 705	17 639
High risk	9 734	12 188
Gross impaired loans and advances	44 957	39 152
Specific provision for impairment	(10 596)	(9 247)
Impaired loans and advances after provisions	34 361	29 905

(d) Credit quality and maximum exposure to credit risk (continued)

	2013	2012
Total:	$'000	$'000
Low risk	1 488 754	1 431 822
Moderate risk	359 933	422 964
High risk	43 010	50 144
Gross loans and advances	1 891 697	1 904 930
Fair value adjustment	(15 459)	(16 050)
Deferred loan fee income	(5 377)	(5 586)
Deferred loan fee expense	2 380	2 732
Specific provision for impairment	(10 596)	(9 247)
Collective provision for impairment	(9 512)	(9 970)
Net loans and advances	1 853 133	1 866 809

The following table provides an analysis of the age of financial assets that are past due as at the reporting date but not impaired:

Less than 30 days	85 214	66 327
30 to 59 days	14 725	17 068
60 to 89 days	4 956	3 465
90 to 179 days	2 396	1 515
More than 179 days	1 219	2 674
Total	108 510	91 049

(1) *Loans and advances renegotiated*
HomeStart policy permits certain customers to increase the balance of their loan by the amount of their arrears (arrears capitalisation). Following arrears capitalisation, a previously overdue customer account is reset to normal status.

HomeStart assesses arrears capitalisation on a case-by-case basis and decisions are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review.

Renegotiated loans that would otherwise be past due or impaired totalled $8.5 million as at 30 June 2013 ($10.4 million).

(2) *Past due but not impaired*
As per AASB 7, past due but not impaired loans are those where a counterparty has failed to make a payment when contractually due, however, are not considered impaired due to collateral available and other loan performance and customer characteristics.

(3) *Impaired loans*
Impaired loans and advances are those where HomeStart has determined that it is probable that it will be unable to collect all principal and interest due in accordance with the contractual terms of the loan agreement.

32.2.2 Derivative financial liabilities

(a) Credit risk management and risk control and mitigation policies

HomeStart is permitted by the Treasurer to transact in derivatives only with SAFA.

(b) Maximum exposure to credit risk

As at 30 June 2013 and 30 June 2012, HomeStart did not have any exposure to credit risk arising from derivative financial liabilities.

		2013	2012
	Note	$'000	$'000
Derivative financial instruments		(6 267)	(10 587)
Swap income receivable		281	326
Swap expense payable		(603)	(520)
Net payable	25	(322)	(194)

Further information in relation to derivatives is disclosed in notes 32.3.3 and 32.4.2.

32.3 Liquidity risk

Liquidity risk is the risk that HomeStart may, at some stage, be unable to meet its financial obligations when they fall due. The consequence may be failure to meet obligations to repay SAFA and fulfil commitments to lend money to customers.

32.3.1 Liquidity risk management

Risks relating to liquidity are governed by a range of treasury management policies, which are subject to oversight by the Board's ALCO subcommittee.

HomeStart's liquidity management process is carried out and monitored by HomeStart's internal treasury and risk department and includes:

- day-to-day management of funding by monitoring cash flows to ensure excess funds are repaid, funds are replenished as they mature, and funds are borrowed when needed to meet lending and other financial commitments
- monitoring internal liquidity ratios and limits.

Monitoring and reporting takes the form of cash flow measurement and projections. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Whole-of-government policy requires that HomeStart holds a positive balance in its operating bank account. HomeStart's internal policy requires maintaining daily cash at an agreed target balance.

32.3.2 Funding approach

HomeStart is required to use SAFA as its sole counterparty for all funding transactions. The arrangement gives HomeStart access to a significant volume of liquidity, restricted by an approved borrowing limit of $2105 million as at 30 June 2013 ($1900 million).

32.3.3 Exposure to liquidity risk

(a) Non-derivative cash flows

HomeStart's exposure to liquidity risk is managed by adherence to ALCO approved ratios and requirements, which include a requirement that HomeStart's debt subject to refinancing in the next 12 month period is to be limited to 40% (40%) of total debt outstanding.

Percent of debt subject to refinancing in the next 12 month period:	2013 %	2012 %
At 30 June	32.65	36.44
Average for the period	28.01	12.10
Maximum for the period	36.57	36.44
Minimum for the period	23.94	5.87

The table below presents the cash flows payable by HomeStart under non-derivative financial liabilities by remaining contractual maturities at the reporting date.

2013	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying value
Liabilities:	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Payables	4 773	2 211	-	-	-	6 984	6 984
Borrowings	122 517	57 719	450 755	1 300 012	-	1 931 003	1 799 560
Other financial liabilities	-	1 329	1 906	-	-	3 235	3 235
Total liabilities (contractual maturity dates)	127 290	61 259	452 661	1 300 012	-	1 941 222	1 809 779
2012							
Liabilities:							
Payables	4 897	2 504	-	-	-	7 401	7 401
Borrowings	153 735	9 796	549 449	777 253	476 717	1 966 950	1 812 364
Other financial liabilities	-	1 102	1 109	-	-	2 211	2 211
Total liabilities (contractual maturity dates)	158 632	13 402	550 558	777 253	476 717	1 976 562	1 821 976

(a) *Non-derivative cash flows (continued)*
Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, cash equivalents, loans and advances to individuals and liquid investments.

(b) *Derivative cash flows*
Derivatives used by HomeStart to hedge risk include interest rate swaps, forward rate agreements and bank bill futures.

The table below analyses HomeStart's derivative financial liabilities at fair value that will be settled on a net basis into relevant maturity groupings based on the remaining period to the contractual maturity date.

	Up to 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	Over 5 years $'000	Total $'000
2013	(429)	(389)	(2 534)	(3 506)	143	(6 715)
2012	(338)	(707)	(3 186)	(6 786)	(1 180)	(12 197)

Further information in relation to derivatives is disclosed in notes 32.2.2 and 32.4.2.

(c) *Off balance sheet*
The periods of payment of unrecognised contractual commitments are disclosed in note 34.

32.4 Market risk

Market risk is the risk of changes in market prices such as interest rates, equities prices, credit spreads and property prices affecting HomeStart's income and returns.

The objective of market risk management is to monitor, control and mitigate exposure to this risk, all within acceptable parameters while at the same time optimising return.

32.4.1 Market risk management

HomeStart's market risk management processes are overseen by the Board and its ALCO subcommittee.

A comprehensive treasury master document sets out the policies which govern HomeStart's management of market risk. Adherence to these policies is monitored by ALCO at its monthly meetings, by the Finance subcommittee at its weekly meetings and by HomeStart's internal treasury and risk department on a daily basis.

ALCO is responsible for approving these policies. The authority to make decisions in accordance with these approved policies is delegated by the Board to executive management.

The effectiveness of HomeStart's market risk management framework is monitored via compliance and reporting processes and independent review by internal audit.

32.4.2 Interest rate risk - derivative financial instruments

(a) *Risk control and mitigation policies*
HomeStart manages, limits and controls market risks wherever they are identified. The following outlines some specific control and mitigation measures.

HomeStart engages in derivative financial instruments to hedge interest rate risk within its portfolio. These derivatives include interest rate swaps, forward rate agreements and bank bill futures.

HomeStart receives a fixed rate of interest on a portion of its loans to customers and pays floating interest on borrowings from SAFA. To protect it from an increase in interest rates payable on its borrowings, HomeStart enters into interest rate swap contracts in order to hedge this mismatch of cash flows.

As at 30 June 2013, HomeStart had floating/fixed swaps with a notional value of $198 million ($224 million) with fixed rates varying between 2.7% and 7.42% (3.12% and 7.83%).

(a) Risk control and mitigation policies (continued)

As at 30 June 2013, HomeStart had a floating/floating swap with a notional value of $30 million ($0 million) with a floating rate of 3.07%.

Periods to maturity of the interest rate swap contracts are disclosed at note 32.3.3(b).

(b) Market risk measurement and maximum exposure to interest rate risk

The major risk measurement process used by HomeStart to measure and control interest rate risk is the value at risk (VaR) methodology. Risk measurement and management is further enhanced through the calculation of present value per basis point as well as the use of stress testing.

VaR

HomeStart applies a VaR methodology to estimate the market risk of all positions held and the maximum losses expected, based upon a number of assumptions for changes in market conditions. ALCO sets limits on the VaR that may be accepted by HomeStart, which are monitored on a daily basis by HomeStart's internal treasury and risk department and monthly by the Board and ALCO.

HomeStart's VaR methodology models non-parallel shifts in the yield curve using the last 250 days of historical interest rate data to predict within a 99% confidence interval the likely outcome for the market value of a position or portfolio assuming it takes 10 days to unwind the open positions that give rise to the exposure. Actual outcomes are monitored regularly to test the validity of assumptions and parameters/factors used in the VaR calculation.

Although VaR represents a good estimate of potential losses under normal market conditions, the model is necessarily based on reasonable management assumptions. Actual outcomes may therefore differ from expected results calculated using the VaR model.

ALCO has approved a maximum loss limit of $1.1 million. The VaR as at 30 June 2013 was $182 518 ($176 845).

(c) Hedge accounting

Variable rate debt used to fund fixed rate loans to customers is hedged by interest rate swaps, which have been designated as cash flow hedges, to enable the portion of the effective gain or loss to be recognised in equity.

Fluctuations in the fair value of these transactions are not recognised in the Statement of Profit or Loss and Other Comprehensive Income when HomeStart satisfies the hedge accounting requirements contained in AASB 139.

The gain or loss from remeasuring the instruments at fair value is deferred in equity in the derivatives valuation reserve, to the extent that the hedge is effective. The ineffective portion is recognised in the Statement of Profit or Loss and Other Comprehensive Income immediately. In the year ended 30 June 2013, a $4.3 million gain ($7.4 million loss) was recognised in equity during the period.

Further information in relation to derivatives is disclosed in notes 32.2.2 and 32.3.3.

32.4.3 Investments price risk

(a) Risk control and mitigation policies

HomeStart is exposed to investment price risk arising from investments held by HomeStart and classified on the Statement of Financial Position at fair value through profit or loss.

To manage its price risk arising from investments, HomeStart diversifies its portfolio in accordance with limits set by ALCO. The investments are held on a passive investment basis. Adherence to approved limits is monitored on a weekly basis by HomeStart's internal treasury and risk department and monthly by the Board and ALCO.

(b) Maximum exposure to investment price risk

HomeStart's maximum exposure to investments price risk has been recognised as the carrying amount at reporting date (refer note 17).

(c) *Sensitivity analysis*

The following tables summarise the sensitivity of HomeStart's profit to investment price risk. The analysis is based on the assumption of a 10% increase or decrease in market value at year end, with all other variables being held constant.

	Carrying amount	-10%	+10%
2013	$'000	$'000	$'000
Unit trusts	14 121	(1 412)	1 412
SAFA Cash Management Fund	6 544	(654)	654
Total increase (decrease) in profit before tax and equity		(2 066)	2 066
2012			
Unit trusts	9 521	(952)	952
SAFA Cash Management Fund	6 583	(658)	658
Total increase (decrease) in profit before tax and equity		(1 610)	1 610

32.4.4 Breakthrough Loan property price risk

(a) *Risk control and mitigation policies*

HomeStart is exposed to property price risk arising from the shared appreciation component of Breakthrough Loans made to customers that are measured at fair value through profit or loss. The fair value of this loan is based on the value of the property pledged as collateral (refer note 2.12).

To manage its price risk arising from Breakthrough Loans, HomeStart limits the total size of the Breakthrough Loan portfolio, the dollar value of loans settled each month and the geographic locations where lending is undertaken.

(b) *Maximum exposure to property price risk*

HomeStart's maximum exposure to property price risk has been recognised as the carrying amount at balance date (refer note 17).

(c) *Sensitivity analysis*

The following table summarises the sensitivity of HomeStart's profit to movements in the values of properties used as collateral for a Breakthrough Loan. The analysis is based on the assumption of a 5% increase or decrease in property market value at year end, with all other variables being held constant.

	2013			2012		
	Carrying amount	-5%	+5%	Carrying amount	-5%	+5%
	$'000	$'000	$'000	$'000	$'000	$'000
Breakthrough Loan	70 549	(3 933)	4 300	70 247	(4 021)	4 381
Total increase (decrease) in profit before tax equity		(3 933)	4 300		(4 021)	4 381

32.4.5 Current risk

Changes in foreign exchange rates will not directly cause the fair value or future cash flows of any financial instruments held by HomeStart to fluctuate.

33. Fair value and categorisation of financial instruments

33.1 Fair value and categorisation of financial instruments

The table below summarises the categorisation, carrying amounts and fair values of HomeStart's financial assets and liabilities.

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 of each class of financial asset and financial liability are disclosed in note 2.

33.1 Fair value and categorisation of financial instruments (continued)

	2013		2012	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets				
Cash and cash equivalents	4 373	4 373	2 781	2 781
Investments:				
Fair value through profit or loss	108 299	108 299	106 469	106 469
Held to maturity	-	-	12 089	13 071
Available for sale	13 958	13 958	-	-
Loans and advances:				
Amortised cost	1 853 133	1 906 263	1 866 809	1 917 777
Other financial assets:				
Financial assets (at cost)	1 136	1 136	1 044	1 044
Total financial assets	1 980 899	2 034 029	1 989 192	2 041 142
Financial liabilities				
Borrowings:				
Financial liabilities (amortised cost)	1 799 560	1 803 175	1 812 364	1 803 447
Other liabilities:				
Financial liabilities (amortised cost)	3 594	3 594	3 368	3 368
Derivative financial instruments:				
Hedge accounting (fair value through equity)	6 267	6 267	10 587	10 587
Payables:				
Financial liabilities (at cost)	6 984	6 984	7 401	7 401
Income tax equivalents payable:				
Financial liabilities (at cost)	2 659	2 659	2 174	2 174
Provision for dividend:				
Financial liabilities (at cost)	576	576	37	37
Total financial liabilities	1 819 640	1 823 255	1 835 931	1 827 014
Net financial assets	161 259	210 774	153 261	214 128

33.2 Fair value estimation

(a) Derivatives

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows determined using the yield curve at year end. The yield curve is derived from the cash rate (overnight), current interbank money market rates (maturities less than one year) and current interest rate swap levels (maturities of one year and longer).

(b) Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows of non-subsidised loans are discounted using the interest rate payable by the customer, which is market rate. Subsidised loans are discounted using a risk free rate of interest, based on four year (for Advantage Loans) and 10 year (for EquityStart loans) SAFA bonds.

(c) Investments

The fair value of investments in the unit trusts and SAFA Cash Management Fund are determined using exit prices supplied by the fund managers at reporting date.

(d) Shared appreciation component of the Breakthrough Loan

Note 2.12 describes the accounting policy adopted in relation to the shared appreciation component of the Breakthrough Loan.

The fair value is estimated by management based on individual property valuations provided by independent parties. These valuations are adjusted by HomeStart's contractual equity stake and appreciation factor.

The valuations used by management are primarily determined by Hometrack Australia using an automated valuation method. Prior to accepting an automated valuation for use, management reviews the statistical probability of error provided by Hometrack Australia to ensure that the risk of material misstatement to the financial statements is unlikely.

(d) *Shared appreciation component of the Breakthrough Loan (continued)*

When management judges that valuations determined using an automated valuation method are not sufficiently accurate, valuations provided by either the Valuer-General or another independent valuer are used.

The following summarises how the fair values of properties used as collateral for Breakthrough Loans have been determined.

	2013	2012
	%	%
Valuation determined using an automated method (Hometrack Australia)	93.12	94.9
Valuation provided by the Valuer-General	6.33	4.55
Other independent valuation used	0.55	0.55

(e) *Bonds*

The fair value of bonds is calculated using observable market prices.

33.3 *Hierarchical classification of financial assets measured at fair value*

The following discloses, for each class of financial instrument measured at fair value, the level in the fair value hierarchy into which the fair value measurements are classified in their entirety, segregating fair value measurements in accordance with 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 (ie as prices) or indirectly (ie derived from prices)

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

There have been no significant transfers between Level 1, Level 2 and Level 3 during the financial year.

	Level 1	Level 2	Level 3	Total
2013	$'000	$'000	$'000	$'000
Financial assets measured at fair value:				
SAFA Cash Management Fund	-	6 544	-	6 544
Term deposits	-	17 085	-	17 085
Unit trusts	-	14 121	-	14 121
Bonds	-	13 958	-	13 958
Breakthrough Loan	-	-	70 549	70 549
Total financial assets measured at fair value	-	51 708	70 549	122 257
Financial liabilities measured at fair value:				
Derivative financial instruments	-	6 267	-	6 267
Total financial liabilities measured at fair value	-	6 267	-	6 267
2012				
Financial assets measured at fair value:				
SAFA Cash Management Fund	-	6 583	-	6 583
Term deposits	-	20 118	-	20 118
Unit trusts	-	9 521	-	9 521
Breakthrough Loan	-	-	70 247	70 247
Total financial assets measured at fair value	-	36 222	70 247	106 469
Financial liabilities measured at fair value:				
Derivative financial instruments	-	10 587	-	10 587
Total financial liabilities measured at fair value	-	10 587	-	10 587

33.4 *Reconciliation of Level 3 fair value measurements*

	Note	2013 $'000	2012 $'000
Fair value at 1 July		70 247	67 716
Breakthrough Loan settlements		8 349	10 551
Breakthrough Loan discharges		(6 582)	(4 417)
Unrealised change in fair value of loans	15	(1 465)	(3 603)
Fair value at 30 June		70 549	70 247

33.4 Reconciliation of Level 3 fair value measurements (continued)

Note 32.4.4(c) discloses sensitivity of HomeStart's profit to movements in the values of properties used as collateral for a Breakthrough Loan.

34. Unrecognised contractual arrangements

34.1 Capital commitments

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

	2013 $'000	2012 $'000
Not later than one year	286	1 601
Later than one year but not later than five years	-	286
Total capital commitments	286	1 887

HomeStart's capital commitments are for the modification, customisation and implementation of a replacement front end loan system.

34.2 Software licence commitments

Software licence expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	2013 $'000	2012 $'000
Not later than one year	377	-
Later than one year but not later than five years	1 885	2 262
Total software licence commitments	2 262	2 262

HomeStart's software licence commitments are in relation to a replacement front end loan system.

34.3 Operating lease commitments

HomeStart as lessee

HomeStart's operating lease commitments are for office accommodation. The leases are non-cancellable with terms ranging up to five years with some leases having the right of renewal. Rent is payable monthly in advance.

The total amount of rental expense for minimum lease payments in the financial year is disclosed in note 15.

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial statements, are payable as follows:

	2013 $'000	2012 $'000
Not later than one year	901	1 084
Later than one year but not later than five years	933	1 853
Total operating lease commitments	1 834	2 937

HomeStart as lessor

HomeStart is the lessor of office accommodation. The lease is non-cancellable with a term up to five years with the right of renewal. Rent is receivable monthly in advance.

The total amount of rental income received in the financial year is disclosed within other income in note 6.

Amounts due to HomeStart under a non-cancellable operating lease at the reporting date not recognised as an asset in the financial statements, are receivable as follows:

	2013 $'000	2012 $'000
Not later than one year	-	203
Later than one year but not later than five years	-	-
Total operating lease receivables	-	203

34.4 Remuneration commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date are not recognised as liabilities.

34.4 Remuneration commitments (continued)

Notes 10 and 11 set out remuneration costs for the years ended 30 June 2013 and 30 June 2012. HomeStart estimates that commitments from existing employment positions within one year and annually will be consistent with salaries and wages expenses in note 10, adjusted for the salary inflation rate.

34.5 Commitments to extend credit to customers

Contractual commitments for loans either approved but not settled or settled but not fully drawn at the balance date amounted to $47 million ($42.9 million). These commitments are expected to be paid in the coming year.

35. Contingent liabilities

HomeStart has no material contingent liabilities as at 30 June 2013.

36. Cash flow reconciliation

36.1 Cash

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand and at bank.

Cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

36.2 Reconciliation of profit for the year to net cash provided by (used in) operating activities	2013 $'000	2012 $'000
Profit for the year	11 447	10 085
Loss (Gain) on sale of fixed assets	(1)	2
Amortisation of discount or premium on purchase of held-to-maturity financial investments	10	14
Amortisation of discount or premium on purchase of available-for-sale financial investments	50	-
Depreciation and amortisation expense	558	541
Unrealised change in fair value of loans	1 465	3 603
Unrealised change in market value of investments	(3)	(75)
Change in derivative financial instrument not recognised in equity	(12)	-
Realised change in market value of investments	-	(48)
Reinvestment of managed fund distribution	(815)	(1 261)
Reinvestment of interest on fair valued investments	-	(118)
Bad debts written off	3 204	2 606
Fees applied directly to loan accounts	(5 473)	(5 277)
Movements in assets/liabilities:		
Provision for impairment	891	1 087
Deferred loan fee income	(209)	(312)
Deferred loan fee expense	351	301
Fair value adjustment	(591)	(131)
Payables	(432)	(792)
Provision for employee benefits	194	466
Other liabilities	218	184
Income tax equivalents payable	484	(832)
Financial and other assets	(104)	(402)
Net cash provided by (used in) operating activities	11 232	9 641

37. Events after balance date

DTF has advised that it will increase the guarantee fee it charges HomeStart from 1.5% to 1.6% of outstanding borrowings from 1 July 2013.

No other matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of HomeStart, the results of those operations, or the state of affairs of HomeStart in subsequent years.

Judges' Pensions Scheme

Functional responsibility

Establishment

The Judges' Pensions Scheme (the Scheme) is a compulsory superannuation scheme established by the *Judges' Pensions Act 1971*.

Functions

The Minister for Finance is responsible for administering the Scheme. DTF – State Superannuation Office provides services to administer the Scheme.

Note 1 to the financial statements provides further details of the Scheme's administration and funding arrangements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the Scheme for each financial year.

Assessment of controls

Section 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised over the Scheme in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2012-13, areas of review included:

- receipting and banking of contributions
- pension payments
- liability for accrued benefits.

The investment and management of the Scheme assets is reviewed as part of the Superannuation Funds Management Corporation of South Australia (Funds SA) audit.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Judges' Pensions Scheme as at 30 June 2013, 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.

Assessment of controls

In my opinion, the controls exercised by the Judges' Pensions Scheme in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Judges' Pensions Scheme have been conducted properly and in accordance with law.

Communication of audit matters

The audit did not identify any notable matters requiring formal communication.

Interpretation and analysis of the financial report

Highlights of the financial report

	2013 $'million	2012 $'million
Revenue		
Employer contributions	5.2	5.1
Investment revenue	30.6	4.4
Total revenue	35.8	9.5
Expenses		
Benefits and other expenses	18.5	10.6
Total expenses	18.5	10.6
Transfer from (to) Consolidated Account	21.5	-
Operating result for the period	(4.2)	(1.1)
Net cash provided by (used in) operating activities	(24.7)	(3.1)
Assets		
Investments	186.9	182.2
Other assets	0.2	0.2
Total assets	187.1	182.4
Liabilities		
Liability for accrued benefits	192.4	183.6
Other liabilities	0.1	-
Total liabilities	192.5	183.6
Excess (Deficit) of net assets over liabilities	(5.4)	(1.2)

Operating Statement

The operating result for the year was a deficit of $4.2 million (deficit of $1.1 million). The year's result took into account:

- returns on investments of $30.6 million ($4.4 million). Investment returns are further discussed in the audit commentary for Funds SA elsewhere in Part B of this Report
- benefits expenses of $17.3 million ($9.7 million). Benefits expenses have increased as a result of a determination by consulting actuaries
- a transfer to the Consolidated Account of $21.5 million ($0). Refer note 3 to the financial statements for further details.

Statement of Financial Position

As at 30 June 2013, there was a deficit of assets over liabilities of $5.4 million (deficit of assets over liabilities of $1.2 million). The estimated liability for accrued benefits increased by $8.8 million to $192.4 million for which assets of $187 million were available to pay benefits. Note 7 to the financial statements explains how the liability for accrued benefits is calculated.

In comparison, vested benefits as at 30 June 2013 were $135.9 million ($133.6 million). Vested benefits represent benefits that members are entitled to receive had their membership been terminated at reporting date. Vested benefits are less than accrued benefits as members are only entitled to a pension if they resign having attained the age of 60 with more than 10 years service or have attained the age of retirement with more than five years of service.

Further commentary on operations

Pensioners

The number of pensioners as at 30 June and pensions paid for the past four years were:

	2013	2012	2011	2010
Pensioners	61	58	56	56
Pensions paid ($'000)	8 470	7 854	7 706	7 163

Contributions by employers

The number of members and contributions received from employers for the past four years were:

	2013	2012	2011	2010
Members	45	49	48	48
Contributions received ($'000)	5 249	5 128	4 874	4 584

Operating Statement
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Revenue:			
Investment revenue		30 617	4 417
Other revenue		4	6
Contribution revenue:			
Contributions by employers		5 249	5 128
Total contribution revenue		5 249	5 128
Total revenue		35 870	9 551
Expenses:			
Direct investment expenses	4	1 144	932
Administration expenses	5	57	65
Benefits expenses	7	17 354	9 650
Total expenses		18 555	10 647
Transfer from (to) Consolidated Account	3	(21 500)	-
Operating result for the period		(4 185)	(1 096)

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Investments:			
Inflation linked securities A		14 238	17 191
Property A		27 750	28 373
Australian equities A		46 623	43 737
International equities A		50 866	43 941
Long-term fixed interest		3 191	4 650
Short-term fixed interest		1 541	2 991
Diversified strategies growth A		15 917	10 903
Diversified strategies income		24 808	23 689
Cash		1 954	6 740
Total investments		186 888	182 215
Other assets:			
Cash and cash equivalents	10	227	120
Contributions receivable		-	29
Receivables		-	3
		227	152
Total assets		187 115	182 367
Current liabilities:			
Payables		28	8
Benefits payable		51	22
Total liabilities		79	30
Net assets available to pay benefits	6	187 036	182 337
Liability for accrued benefits	7	(192 455)	(183 571)
Excess (Deficit) of net assets over liabilities		(5 419)	(1 234)

Statement of Cash Flows for the year ended 30 June 2013

		2013 Inflows (Outflows)	2012 Inflows (Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Contributions by employers		5 277	5 099
Bank interest received		5	6
Transfer from (to) Consolidated Account	3	(21 500)	-
Benefit payments		(8 441)	(8 102)
Administration expenses		(34)	(65)
Net cash provided by (used in) operating activities	9	(24 693)	(3 062)
Cash flows from investing activities:			
Receipts from Funds SA		29 450	7 770
Payments to Funds SA		(4 650)	(5 100)
Net cash provided by (used in) investing activities		24 800	2 670
Net increase (decrease) in cash and cash equivalents held		107	(392)
Cash and cash equivalents at 1 July		120	512
Cash and cash equivalents at 30 June	10	227	120

Notes to and forming part of the financial statements

1. Objectives and funding

(a) Judges' Pensions Scheme (the Scheme)

The Scheme is a compulsory superannuation scheme, which exists pursuant to the *Judges' Pensions Act 1971* (the Act). The Act provides for the payment of pension benefits to former South Australian Judges and their families.

The Act provides for a pension to be paid to a judge who resigns and is over the age of 60 years and has had not less than 10 years judicial service or retires. A pension will also be paid to a judge who resigns due to permanent disability or infirmity.

A member is entitled to a pension based benefit determined in accordance with the Act to be a percentage of the member's salary immediately prior to retirement or resignation. The Scheme is non-contributory.

(b) Superannuation Funds Management Corporation of South Australia (Funds SA)

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

For further information on the investment of the Judges' Pension Scheme Account, reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expenses contained in this financial report are related to the investment activities of Funds SA.

(c) Funding arrangements

Under section 14(1)(b) 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 period payments were made from a special deposit account.

Since 30 June 1994 the Government has undertaken a process of funding its accrued past service liabilities and the Scheme assets have broadly matched liabilities since 1997. The small size of the Scheme, the nature of the way member benefits accrue and variations in investment performance mean that deficits and surpluses will arise from year to year.

(c) Funding arrangements (continued)

Employer contributions at a rate of 30% of salary are paid to the Treasurer from SA Government entities to fund emerging superannuation liabilities. These contributions are deposited into the Scheme with $5.2 million ($5.1 million) being credited during the year ended 30 June 2013.

2. Summary of significant accounting policies

(a) Basis of accounting

This financial report is a general purpose financial report. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provision of the PFAA, except as provided below.

AAS 25 is the principal standard applied in preparing this financial report. Other AASs are also applied where necessary except to the extent that they differ from AAS 25.

This financial report has been prepared on an accrual basis where this can reliably be measured. This is in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

This financial report is represented in Australian currency and all amounts have been rounded to the nearest thousand dollars ($'000).

(b) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value as provided by Funds SA.

(i) Inflation linked securities A

The inflation linked securities portfolio invests in discretely managed portfolios, pooled funds and internal inflation linked securities. Discretely managed portfolios and pooled funds 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. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.

Internally managed inflation linked securities, the returns of which are linked to movements in either the CPI or average weekly earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer.

(ii) Property A

The property A portfolio comprises two subsectors:

- *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 subsector 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 subsector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian equities A

The Australian equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International equities A

The international equities A portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(v) *Fixed interest*
The fixed interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) *Diversified strategies growth A*
The diversified strategies growth A portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (September 2009). 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 both Australian and international pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) *Cash*
The cash portfolio is externally managed. The investments are held in a cash management fund. Cash balances are supplied by the relevant financial institution and have been valued on the basis of principal plus accrued interest.

(c) ***Taxation***
The Scheme is a constitutionally protected superannuation fund in terms of section 295-15 of the ITAA, Regulation 995-1.04 (Schedule 4) and is exempt from income tax.

(d) ***GST***
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Regulation 70.5.03 of A New Tax System (Goods and Services Tax) Regulations 1999 specifies the rate at which GST can be recovered through reduced input tax credits. Effective from 1 July 2012 the rate is 55%; previously the rate was 75%.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(e) ***Revenue***
Superannuation contributions are brought to account on an accrual basis where this can be reliably measured.

(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 APSs have required a change.

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

Where applicable, the restated comparative amounts do not replace the original financial statements for the preceding period.

3. Transfer from (to) Consolidated Account

An actuarial assessment of the estimated employer accrued liabilities as at 30 June 2013 has been undertaken and compared with the estimated employer assets invested as at 30 June 2013. As a result, the Treasurer approved a transfer of $21.5 million to the Consolidated Account in 2013 ($0).

4. Direct investment expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment. In 2012-13 the increase in direct investment expenses was largely attributable to:

- increased funds under management driven by strong share market performance
- Funds SA's change in investment strategy that increased investment in the more expensive diversified strategies income and diversified strategies growth asset classes.

5. Administration expenses

	2013	2012
	$'000	$'000
Administration expenses	49	57
Auditor's remuneration	8	8
	57	65

Administration expenses comprise the costs incurred by DTF in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. DTF seeks reimbursement from the Scheme.

Auditor's remuneration comprises amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Scheme. For the reporting period these totalled $8030 ($7810) (GST inclusive). No other services were provided by the Auditor-General's Department.

6. Net assets available to pay benefits

	2013	2012
	$'000	$'000
Funds held at 1 July	182 337	181 637
Contributions	5 249	5 128
Investment revenue	30 617	4 417
Interest income	4	6
	35 870	9 551
Benefits paid	(8 470)	(7 854)
Direct investment expenses	(1 144)	(932)
Transfer to Consolidated Account	(21 500)	-
Administration expenses	(57)	(65)
	31 171	(8 851)
Funds held at 30 June	187 036	182 337

7. Liability for accrued benefits

The liability for accrued benefits is the Scheme's present obligation to pay benefits to members and has been calculated on the basis of the present value of expected future payments arising from membership of the Scheme up to the reporting date.

The expected future benefit payments have been determined using the same pensioner mortality assumption as the 2010 triennial review of the South Australian Superannuation Scheme. Salary increases of 1.5% p.a. above the Adelaide CPI have been assumed. The CPI is assumed to be 2.5%. In accordance with AAS 25, the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate of 4.5% p.a. above the CPI.

The accrued superannuation liability as determined by consulting actuaries Brett & Watson Pty Ltd is estimated at $192.4 million ($183.6 million) as at 30 June 2013.

The liability for Judges' pensions is met by the SA Government.

	2013	2012
	$'000	$'000
Liability for accrued benefits at 1 July	183 571	181 775
Benefits expenses(i)	17 354	9 650
Benefits paid	(8 470)	(7 854)
Liabilities for accrued benefits at 30 June	192 455	183 571

(i) This figure represents the change in liability for accrued benefits plus benefits paid for the year.

8. Vested benefits

Vested benefits	135 878	133 600

Vested benefits are benefits which are not conditional upon continued membership of the Scheme, or any factor other than resignation from the Scheme. Vested benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date. The vested superannuation liability as at 30 June 2013 is estimated at $135.9 million ($133.6 million).

9. Reconciliation of operating result to net cash provided by (used in) operating activities

	2013	2012
	$'000	$'000
Operating result	(4 185)	(1 096)
Benefits expenses	17 354	9 650
Benefits paid	(8 470)	(7 854)
Investment revenue	(30 617)	(4 417)
Direct investment expenses	1 144	932
Receivables	3	(1)
Contributions receivable	29	(29)
Payables	20	1
Benefits payable	29	(248)
Net cash provided by (used in) operating activities	(24 693)	(3 062)

10. Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposits with DTF. 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:

	2013	2012
	$'000	$'000
Cash and cash equivalents	227	120

11. Financial instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

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.

(a) Market risk

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

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Scheme's currency risk is managed by Funds SA who has invested in assets denominated in foreign currencies.

(i) *Currency risk (continued)*
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 in the international equities asset sector are 42.5% hedged to Australian dollars.

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

(ii) *Interest rate risk*
Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

Funds SA manages interest rate risk through:

- ensuring asset allocations of different investment products are consistent with the time horizon of each

- the use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

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

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Operating Statement, all changes in market conditions will directly affect investment revenue.

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

- ensuring a diversity of exposures to different financial markets and submarkets

- ensuring asset allocations for different investment products are consistent with the time horizon of each.

(iv) *Sensitivity analysis*
The Funds SA Board has determined that the forecast risk/return profile provides a reasonable estimate of the change in the value of the investments in each investment option for the year ahead. These standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on change in investment assets from possible changes in market price risk:

Investment option	Sensitivity variable	Standard deviation %	Changes in investment assets $'000
2013			
Growth	Nominal standard deviation	10.5	19 623
Total			19 623
2012			
Growth	Nominal standard deviation	10.3	18 768
Total			18 768

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Scheme's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment option's expected return in future years.

(iv) Sensitivity analysis (continued)

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 counter party or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Scheme does not have any assets which are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Scheme's liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

Funds SA manages liquidity risk as follows:

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

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

	Less than three months	Total contractual cash flows	Carrying amount liabilities
2013	$'000	$'000	$'000
Benefits payable	51	51	51
Payables	28	28	28
Vested benefits[(i)]	135 878	135 878	135 878
Total	135 957	135 957	135 957
2012			
Benefits payable	22	22	22
Payables	8	8	8
Vested benefits[(i)]	133 600	133 600	133 600
Total	133 630	133 630	133 630

[(i)] Vested benefits have been included in the 'less than three months' column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

(d) Fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

(d) Fair value (continued)

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

Financial assets at fair value through profit or loss (Level 1 and Level 3 are not relevant to the Scheme)	Level 2 $'000
2013	
Unlisted managed investments schemes:	
Funds SA	186 888
	186 888
2012	
Unlisted managed investments schemes:	
Funds SA	182 215
	182 215

(e) Derivative financial instruments

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

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

Legal Services Commission

Functional responsibility

Establishment

The Legal Services Commission (the Commission) is a body corporate established pursuant to section 6(1) of the *Legal Services Commission Act 1977* (the LSC Act). Section 6(3) of the LSC Act specifies that the Commission is not an instrumentality of the Crown and is independent of the Government.

Functions

The functions and principles of the Commission are respectively detailed in sections 10 and 11 of the LSC Act. Respective core functions and principles include:

- providing or arranging for the provision of legal assistance and determining the criteria under which that assistance is granted
- ensuring legal assistance is provided in the most efficient and economical manner, and to make the best endeavours to make legal assistance available to persons throughout the State.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA and section 25(1) of the LSC Act provide for the Auditor-General to audit the accounts of the Commission in respect of each financial year.

Assessment of controls

Section 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Commission in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2012-13, areas of review included:

- financial accounting
- cash and cash management
- expenditure and accounts payable
- private practitioner expenditure
- payroll expenditure
- asset management and reporting
- revenue and accounts receivable
- budgetary control and monitoring
- information technology systems
- financial management and legal compliance

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Legal Services Commission as at 30 June 2013, 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.

Assessment of controls

In my opinion, the controls exercised by the Legal Services Commission in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for all matters outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Legal Services Commission have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Commission's Chairman. Major matters raised with the Commission and related responses are provided below.

Application of the Commissioner for Public Sector Employment (CPSE) Determinations

Commission employee terms and conditions are currently those which apply within the 'South Australian Public Sector Wages Parity Enterprise Agreement: Salaried 2012' – this includes relevant CPSE directives. However, the Commission is able to adopt different provisions provided compliance with section 15(3) of the LSC Act is met. Section 15(3) provides that persons employed by the Commission must be appointed on such terms and conditions as are from time to time determined by the Commission and approved by the CPSE.

Audit noted that the Commission did not implement the directives of CPSE Determination 3.4C to reduce LSL to nine days per annum from 1 July 2011 for staff with 15 or more years of service experience. Accordingly, all employees with 15 or more years of service experience were still credited with 15 LSL calendar days instead of nine for the 2011-12 financial year. Further, the Commission passed a resolution in January 2013 to only apply the directives of CPSE Determination 3.4C and 3.1 from 31 December 2012.

Consequently, at the point when the Commission adopted more generous employment conditions than those outlined in the CPSE's Determinations, the Commission, under its own Act, required approval from the CPSE to apply those conditions. As of July 2013 the Commission had not sought the CPSE's approval to apply these varied employment conditions.

Audit recommended that the Commission approach the CPSE to seek the required approval, as well as clarify the operative timeframes for any of the varied LSL employment conditions.

The Commission advised that it would be seeking the CPSE's approval to apply Determination 3.4C from 31 December 2012.

Financial accounting

Subledger to general ledger reconciliations

TIs 2.8.3 and 2.10.3 requires the performance of reconciliations between the general ledger and the accounts receivable and accounts payable subledgers. Audit noted that these two subledgers were not being reconciled to the general ledger.

The Commission advised that they would commence monthly reconciliations of the accounts receivable and accounts payable subledgers to the general ledger.

Reconciliation of investments to the accrual general ledger

The Commission holds material investments within a cash management facility managed by SAFA. Audit identified that the balance for these investments, as detailed in SAFA investment statements, was not being directly reconciled to the accrual general ledger but to a manually maintained ‘running balance’ spreadsheet residing outside of the accrual general ledger. As such, there was no assurance that investments held with SAFA reconciled to the accrual general ledger at a point in time.

The Commission advised that it believed the existing cash ledger reconciliation procedures were adequate and a monthly reconciliation to the accrual general ledger was not necessary.

Policies and procedures

Audit noted there was a need to establish procedural guidance in a number of areas within the Finance division, including chart of accounts maintenance and management, journal processing guidance and vendor masterfile maintenance. Audit also noted that many key finance procedure documents contained no document history or ownership elements indicating when the procedure was last updated, when the next review was to occur and which officer was responsible for document ownership.

The Commission advised that the existing finance manual would be more rigorously updated, that review dates would be embedded into soft copy versions of key procedures and that these procedures would be maintained in one common folder.

Property, plant and equipment

AASB assessments of library collections asset

The Commission recognises a library collections asset within the property, plant and equipment asset class. Audit noted that this library collections asset had not been subject to any AAS mandated recurring annual assessments of residual value, useful life or impairment since at least 2006-07.

The Commission advised that assessments for impairment of the library collections asset would be undertaken within 2013-14.

Payroll expenditure

Audit noted that the responsibility for reviewing and approving payroll bona fide certificates for all Commission employees primarily rests with the Manager, Human Resources. Separate bona fide certificates are not generated and forwarded to pay location or divisional managers directly responsible for the supervision and monitoring of listed employees. The Commission is an organisation comprising various geographical locations and segregated operational divisions.

Audit recommended that this review be undertaken by officers directly responsible for the management and supervision of listed employees. This is because the bona fide certificate reviewing officer is responsible for ensuring:

- listed employee and employment details (including leave taken) are valid, correct and consistent with the manager’s understanding of the employee’s movements over the bona fide period

- that employees listed were employed and present for the times detailed on the certificate for the pay period specified.

The Commission advised that it would investigate whether it was possible to generate and distribute separate bona fide reports to relevant divisional managers.

Private practitioner expenditure

Update of financial authorisations into the Law Office system

Audit noted that approved Commissioner financial authorisations within the Commission’s legal case management system (Law Office), had not been updated for 2012-13, with system financial authorisations (as at June 2013) still reflecting those approved in 2011-12. These system stored financial authorisations directly support the raising of commitment certificates (in essence purchase orders) issued to private practitioners.

The Commission advised that following the official, annual approval of the Commission’s financial authorisations, the Assignments Manager will ensure that these revised financial authorisations are updated completely and accurately into Law Office.

Expenditure and accounts payable

Audit identified multiple instances where purchase orders had been created and authorised after the associated tax invoices had been received and payment approved. This practice is inconsistent with TI 8.2 which requires the approval to incur expenditure to be established prior to invoice payment approval and disbursement. Audit also noted that the Commission had not established entity-wide policy guidance on the appropriate use and management of purchase orders for its staff.

The Commission advised it would implement policy guidance on the expected requirements and appropriate use and timing of the raising of purchase orders.

Creditor account payment performance

TI 11 prescribes the policy for creditor account payments, including the development of relevant policies and procedures and the preparation of monthly reports on account payment performance to the Commission.

The audit identified that for the period of review, the monthly account payment performance report was not prepared. Further, the Commission had not developed policies and procedures to ensure compliance with the revised TI 11 requirements could be met.

The Commission responded by specifying that it would address all noted issues with the view of ensuring complete TI 11 compliance by the end of July 2013.

Fraud policy review

TI 2.6.2 specifies that a chief executive must establish and review at least annually its fraud policies. Audit examined the entity fraud and corruption policy during 2012-13 and was unable to identify any clear evidence as to when it had last been reviewed. Commission management also stated they had no clear evidence as to its last review.

In response, the Commission undertook a dedicated process to review and update the fraud and corruption policy which was presented to the Audit Compliance Committee in late August 2013.

Information and communications technology and control

Last year's Report provided comment on matters arising from Audit's review of the LAW Office system that replaced the Commission's legacy legal case management system.

The new replacement system comprises two phases. In April 2012 the new legal case management application went live and was introduced with revised business processes. The second phase involving electronic lodgement and automated capability was anticipated to be completed in 2013. It was however postponed and implementation commencement is now expected to take place in late 2013.

Last year's audit of the new system identified a number of matters that the Commission indicated would receive attention. The main matters included the finalisation of business continuity and disaster recovery plans; user documentation; change management policy and procedures; and establishment of an escrow agreement.

While the new system has been operational for some time, this year's audit noted certain matters in need of addressing, including some matters identified in last year's audit. The main matters were:

- updating of IT security policies and procedures
- finalisation of the Commission's business resumption framework which incorporates business continuity and disaster recovery plans
- resolution of outstanding project defects and issues
- strengthening of security controls including passwords, user access, segregation of duties at varying levels and audit logging and report monitoring
- consideration of an independent post-implementation security review of the new system.

The response of the Commission communicated agreement with the matters raised by Audit. The Commission advised the following:

- IT security policies and procedures are to be updated.
- A review of the business continuity and disaster recovery plans will be undertaken.
- Outstanding defects/issues would receive attention relative to available funding.
- Password and user access control is to be reviewed and audit logging and reporting will be developed.
- An independent security review of the new LAW Office system is intended to be performed.

Finally the Commission recognised that a continuing risk exists should the service provider cease providing ongoing support to the LAW Office system. This will be the subject of ongoing monitoring.

Interpretation and analysis of the financial report

Highlights of the financial report

	2013 $'million	2012 $'million
Expenses		
Employee benefits expenses	16.9	16.7
Legal expenses (including expensive criminal cases)	17.7	18.1
Other expenses	5.9	5.0
Total expenses	40.5	39.8
Income		
Legal Practitioners Act 1981 revenue	2.7	3.6
Other income	3.0	3.3
Total income	5.7	6.9
Net cost of providing services	34.8	32.9
Revenues from (Payments to) governments		
Commonwealth Government	15.7	15.6
State Government	19.6	20.5
Total revenues from governments	35.3	36.1
Net result and total comprehensive result	0.5	3.2
Net cash provided by (used in) operating activities	0.5	4.1
Assets		
Current assets	20.1	20.2
Non-current assets	7.9	7.8
Total assets	28.0	28.0
Liabilities		
Current liabilities	2.8	3.2
Non-current liabilities	3.2	3.4
Total liabilities	6.0	6.6
Total equity	22.0	21.4

Statement of Comprehensive Income

Operating expenses

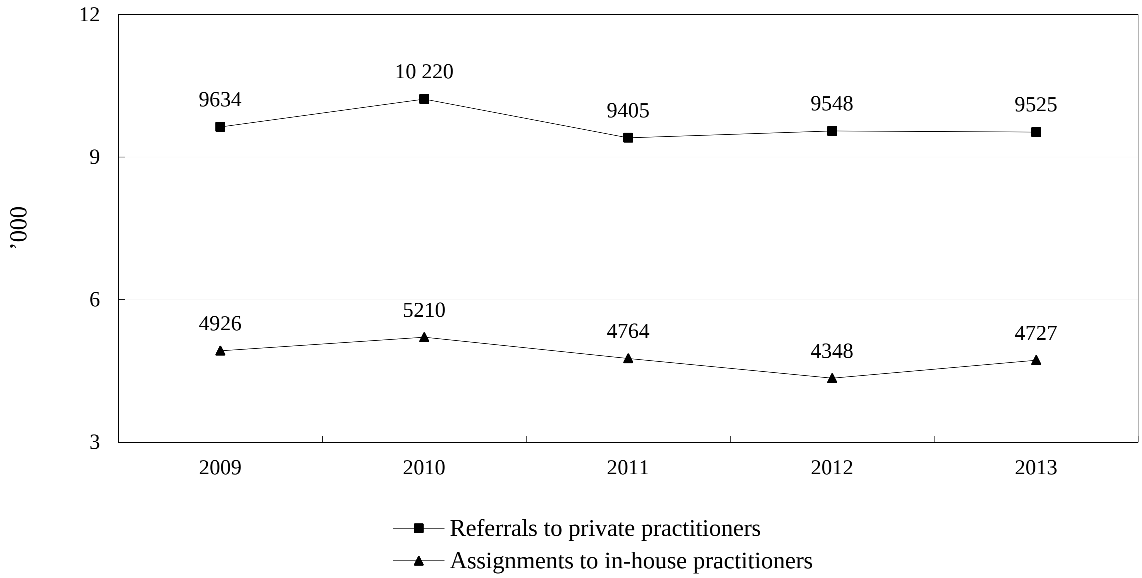
Referrals to private and in-house practitioners

Legal aid is dispensed by either the Commission's practitioners or by private practitioners. Accordingly, prospective aid applicants are provided with three choices regarding their legal representation:

- legal aid lawyer
- private practitioner nomination
- no preference (or question not answered).

In most instances when either a legal aid lawyer or a private practitioner is nominated, the case will be treated as a 'claimed matter' and the applicant's preferences generally granted. However, where the 'no preference' option is selected, or the question is not answered, and it is determined the matter cannot be handled in-house (includes legal aid lawyer preference), assignments are granted to private practitioners who have indicated a willingness to accept work in that particular area of law.

The following chart details the split between approved case applications assigned to private practitioners and the in-house preference over the past five years. This data is unaudited.



Applications assigned to in-house practitioners totalled 4727 (4348) cases or 33% (31%) of new case applications approved. Private practitioner assigned cases totalled 9525 (9548) or 67% (69%) of case applications approved. Fees to private practitioners for these cases (private practitioner expenses) amounted to $17.5 million ($16.5 million) and comprised 43% (41%) of total Commission expenditure.

In interpreting the relationship between case numbers and the cost of representation, the Commission has advised that a grant of legal aid for serious crime matters has a significant time lag, generally in excess of one year, before actual costs are incurred. Therefore, a timing difference between case referrals and the cost of representation may cause fluctuations in disclosed private practitioner expenditure.

Note 22(a) to the Commission's financial statements sets out legal expense commitments on legal cases referred to private practitioners that are unfinalised (authorised expenditure unclaimed by private practitioners) as at 30 June 2013.

Income

Commonwealth and State Government funding

Commonwealth and State Government grant payments to the Commission form part of the administered activities of the Attorney-General's Department. The Attorney-General's Department initially receives the annual grant funding from the Commonwealth which, together with the State Government component, is paid to the Commission.

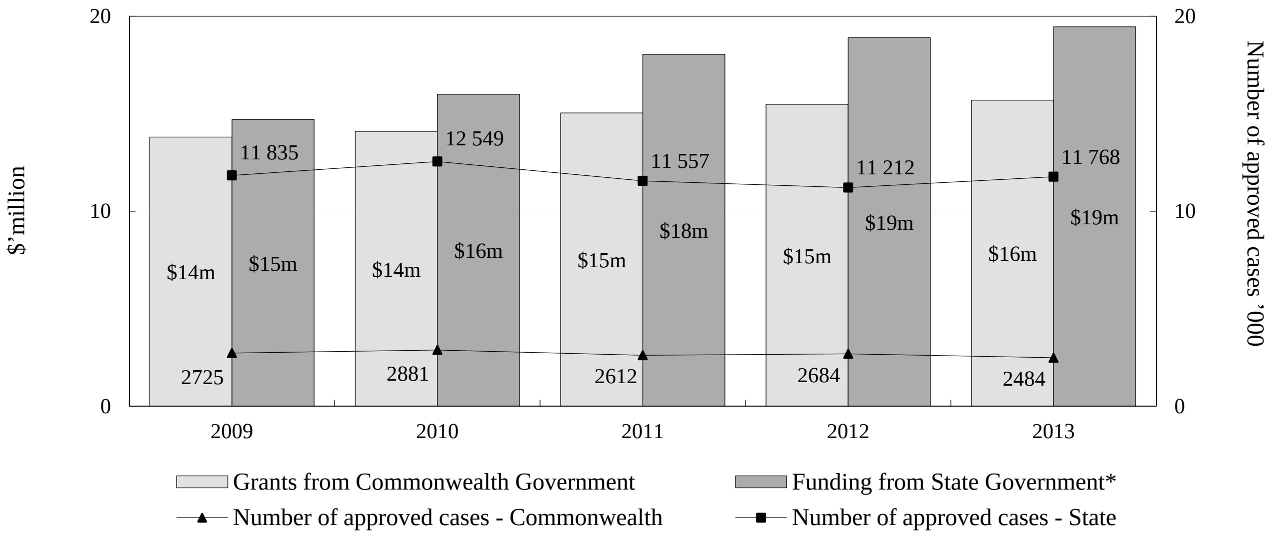
Commonwealth Government grants

Legal assistance is provided in South Australia for matters arising under Commonwealth law. The matters are predominantly in the area of family law and to a lesser extent criminal and specific civil matters. In meeting the cost of providing this legal aid, the Commission receives funding from the Commonwealth Government under an agreement between the Commonwealth and State Governments. Grants received must be expended in accordance with the agreement.

Grants from the Commonwealth Government totalled $15.7 million ($15.4 million) and comprised 38% (36%) of total Commission revenue.

State Government funding

The amount of State Government funding provided is determined through the budgetary mechanisms of the SA Government. The State Government funding received by the Commission is expended on State law matters being predominantly criminal cases. Funding from the State Government totalled $19.5 million ($18.9 million) and comprised 47% (44%) of total Commission revenue.



* Excluding expensive case grants

The above chart illustrates, for the past five years, the amounts of State and Commonwealth Government funding (not including expensive case funding) provided to the Commission. It also illustrates the number of approved cases that relate to Commonwealth and State funding.

Legal Practitioners Act 1981 *revenue*

Revenue received from the Law Society of South Australia in accordance with the *Legal Practitioner's Act 1981* was $2.7 million ($3.6 million). Of note are the following items:

- Statutory interest account revenue was $1.1 million in 2012-13, a decrease of $266 000 from the previous year.
- Interest on legal practitioners trust accounts decreased by $551 000 to $1.67 million.

For further information, refer note 10 to the Commission's financial statements.

Net result

The net result was a surplus of $543 000 compared with a surplus of $3.2 million in 2011-12. The surplus decline is primarily attributable to an increase in supplies and services expenditure as well as a decline in *Legal Practitioners Act 1981* revenue and revenues from State Government.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2013.

	2013 $'million	2012 $'million	2011 $'million	2010 $'million
Net cash flows				
Operating	0.5	4.1	2.2	(2.3)
Investing	(0.4)	(1.1)	(0.4)	(0.2)
Change in cash	0.1	3.0	1.8	(2.5)
Cash at 30 June	18.4	18.3	15.3	13.5

Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Expenses:			
Employee benefits expenses	4	16 904	16 749
Private practitioner services	2.14	17 543	16 502
Private practitioner services - State expensive case matters	5	136	1 618
Supplies and services	6	4 945	4 489
Depreciation and amortisation expense	7	710	317
Other expenses	8	268	95
Total expenses		40 506	39 770
Income:			
Legal Practitioners Act 1981 revenue	10	2 749	3 630
Statutory charges		966	975
Interest revenue		846	1 003
Costs recovered and contributions	11	483	429
Other income	12	633	784
Total income		5 677	6 821
Net cost of providing services		34 829	32 949
Revenues from (Payments to) governments:			
Commonwealth Government:			
Funding agreement	13	15 695	15 434
Immigration Advice and Application Assistance Scheme income	13	87	163
State Government:			
Funding	14	19 454	18 903
Expensive cases - other matters	14	136	1 618
Total revenues from governments		35 372	36 118
Net result		543	3 169
Total comprehensive result		543	3 169

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets:			
Cash and cash equivalents	15	18 390	18 252
Receivables	16	1 760	1 900
Total current assets		20 150	20 152
Non-current assets:			
Property, plant and equipment	17.1	1 141	968
Intangible assets	17.2	900	1 391
Statutory charge debtors	18	5 834	5 460
Total non-current assets		7 875	7 819
Total assets		28 025	27 971
Current liabilities:			
Legal payables		1 096	1 475
Payables	19	416	401
Employee benefits	20	1 342	1 300
Total current liabilities		2 854	3 176
Non-current liabilities:			
Payables	19	201	219
Employee benefits	20	3 011	3 160
Total non-current liabilities		3 212	3 379
Total liabilities		6 066	6 555
Net assets		21 959	21 416
Equity:			
Revaluation surplus		79	79
Commonwealth expensive case reserve		-	100
Retained earnings		21 880	21 237
Total equity		21 959	21 416

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	22
Contingent assets and liabilities	24

Statement of Changes in Equity
for the year ended 30 June 2013

	Note	Revaluation surplus $'000	Other reserves $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2011		79	100	18 068	18 247
Net result 2011-12		-	-	3 032	3 032
Error correction	2.16	-	-	137	137
Restated total comprehensive result 2011-12		-	-	3 169	3 169
Balance at 30 June 2012		79	100	21 237	21 416
Net result 2012-13		-	-	543	543
Total comprehensive result 2012-13		-	-	543	543
Transfer of reserves		-	(100)	100	-
Balance at 30 June 2013		79	-	21 880	21 959

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

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefit payments		(17 008)	(15 962)
Supplies and services		(5 754)	(5 118)
Private practitioner services		(19 438)	(18 272)
Private practitioner services - State expensive case matters		(136)	(1 618)
Cash used in operations		(42 336)	(40 970)
Cash inflows:			
Legal Practitioners Act 1981 receipts		2 941	3 652
Costs recovered and contributions		412	385
Statutory charge receipts		538	680
Interest received		858	1 010
GST recovered from the ATO		1 953	2 204
Other receipts		794	887
Cash generated from operations		7 496	8 818
Cash flows from governments:			
Commonwealth Government:			
Funding agreement		15 695	15 434
Immigration Advice and Application Assistance Scheme income		87	163
State Government:			
Funding		19 454	18 903
Expensive cases - other matters		134	1 792
Total cash flows from governments		35 370	36 292
Net cash provided by (used in) operating activities	21	530	4 140
Cash flows from investing activities:			
Purchase of property, plant and equipment and intangible assets		(392)	(1 148)
Cash provided by (used in) investing activities		(392)	(1 148)
Net increase (decrease) in cash and cash equivalents		138	2 992
Cash and cash equivalents at 1 July		18 252	15 260
Cash and cash equivalents at 30 June	15,21	18 390	18 252

Notes to and forming part of the financial statements

1. Objectives of the Legal Services Commission of South Australia (the Commission)

The Commission was established under the *Legal Services Commission Act 1977* (the Act) to provide or arrange for the provision of legal assistance in accordance with the Act. The functions and principles of the Commission are set out in sections 10 and 11 of the Act.

2. Summary of significant accounting policies

2.1 Statement of compliance

The Commission has prepared these financial statements in compliance with section 23 of the PFAA.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and comply with TIs and APSs promulgated under the provision of the PFAA.

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

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Commission for the reporting period ended 30 June 2013 (refer note 3).

2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Commission's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, 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. Transactions with SA Government entities below the threshold of $100 000 have been included with non-government transactions, classified according to their nature

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

  (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly and indirectly by the entity to those employees

  (d) Commission member and remuneration information, where a Commission member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

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

The financial statements have been prepared based on a 12 month 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 2013 and the comparative information presented.

2.3 Reporting entity

The Commission was established under the Act to provide or arrange for the provision of legal assistance in accordance with the Act. Under section 6(3) of the Act, the Commission is not an instrumentality of the Crown and is independent of the Government.

2.4 Comparative figures

The presentation and classification of items in the financial statements are consistent with prior periods except where a specific APS or AAS has required a change.

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

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

2.5 Rounding

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

2.6 Taxation

The Commission is not subject to income tax. The Commission is endorsed by the ATO as an income tax exempt charity and as a public benevolent institution. The Commission is liable for GST, payroll tax, FBT, Emergency Services levy, land tax equivalents and local government rate equivalents.

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

- where the GST incurred by the Commission as a purchaser 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 activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

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

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 provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June to 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.

2.8 Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Commission 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 notes accompanying the financial statements disclose income where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Government funding

Funding from the State and Commonwealth Governments are recognised as revenues when the Commission obtains control over the funding. Control over government funding is normally obtained upon receipt.

Government funding expensive cases

The Commission recognises expensive case funding when the amount has been approved and can be reliably measured.

Other income

Other income consists of Public Service Association funding for the provision of legal advisory services, Drug Court funding by the Attorney-General's Department, reimbursements from the Commonwealth for the provision of the Indigenous Cadetship Support programs, the provision of Community Legal Education programs and the sale of over the counter legal aid kits.

2.9 Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Commission 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 notes accompanying the financial statements disclose expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Employee benefits expenses
Employee benefits expenses includes all costs related to employment including salaries and wages, non-monetary benefits and leave entitlements. These are recognised when incurred.

Superannuation
The amount charged to the Statement of Comprehensive Income represents the contributions made by the Commission to the superannuation plan in respect of current services of current staff.

Salaries and related payments include superannuation contributions paid by the Commission under the following categories:

(a) The Commission paid an amount to ComSuper towards the accruing government liability in respect of currently employed contributors to the Commonwealth Superannuation Fund. Payments amounted to $60 000 ($62 000).

(b) The Commission contributed to various superannuation schemes towards the accruing State Government liability for superannuation in respect of all employees. Payments amounted to $1.449 million ($1.403 million).

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 physical 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.

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

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

Class of asset	*Useful life (years)*
Plant and equipment:	
Computers	3-5
Office equipment	5-13
Furniture and fittings	13
Leasehold improvements	10
Intangibles	3-5

2.10 Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. The Commission has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

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.

Where an asset line item combine amounts expected to be settled within 12 months and more than 12 months, the Commission has separately disclosed the amounts expected to be recovered after more than 12 months.

The notes accompanying the financial statements disclose financial assets where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

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 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 cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

Receivables

Receivables include amounts receivable from goods and services, GST input tax credits recoverable, prepayments and other accruals.

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are generally settled within 30 days after the issue of an invoice or the goods/services having 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 Commission will not be able to collect the debt. Bad debts are written off when identified.

Non-current assets

Library

The John Gray Memorial Library asset is a legal reference collection containing general and specialised items that are available for general use by both Commission lawyers and private practitioners undertaking legal aid matters. The most recent valuation was carried out during 2006-07 (internal valuation).

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.

All non-current tangible assets with a value equal to or in excess of $1000 are capitalised.

Revaluation of non-current assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

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

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

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

Impairment

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

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

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

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

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

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

Subsequent expenditure on intangible assets has not been capitalised. This is because the Commission has been unable to attribute this expenditure to the intangible asset rather than the Commission as a whole.

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.

Where liability line items combine amounts expected to be settled within 12 months and more than 12 months, the Commission has separately disclosed the amounts expected to be settled after more than 12 months.

The notes accompanying the financial statements disclose financial liabilities where the counterparty/ transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

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 the Commission.

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 Commission has received from the Commonwealth Government to forward onto eligible employees via the Commission's standard payroll processes. That is, the Commission 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.

Legal payables represent amounts invoiced from private practitioners for approved cases that are unpaid at balance date. They are normally settled within 30 days.

Employment benefit on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, annual leave, LSL and skills and experience retention leave.

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

Leases
The Commission has entered into operating leases for office accommodation. These leases are reviewed annually for adjustments in the CPI. 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 asset.

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, wages, annual leave, skills and experience retention leave and sick leave
The liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the skills and experience retention leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages, annual leave and skills and experience retention leave liability are payable later than 12 months, the liability will be measured at present value.

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

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

The unconditional portion of the LSL provision is classified as current as the Commission does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of LSL relates to an unconditional legal entitlement to payment arising after 10 years of service.

Workers compensation
The Commission pays a workers compensation levy to WorkCoverSA to provide insurance coverage in relation to workers compensation. These contributions are treated as an expense as they occur. There is no liability to claimants as they have been assumed by WorkCoverSA.

2.13 Unrecognised contractual commitments and contingent assets and liabilities
Commitments include legal expense, operating and remuneration arising from contractual or statutory sources and are disclosed at their nominal value (refer note 22).

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 24).

2.14 Private practitioner services
Comprises solicitors' fees, counsel fees and disbursements due to private practitioners for approved cases undertaken during the financial year.

2.15 Trust funds
Pursuant to the *Legal Practitioners Act 1981* the Commission holds funds in trust on behalf of clients. As at 30 June 2013, the total funds held were $41 000 ($84 000). These funds are not controlled by the Commission and are not recognised in the financial statements.

2.16 Correction of prior period errors
Corrections for prior period errors were made for other income of $28 000 (reimbursements from the Commonwealth for the provision of the Indigenous Cadetship Support programs) and LSL employee benefits expenses of $109 000. The total effect of these comparative changes was to restate the prior net result upwards by $137 000 from $3.032 million to $3.169 million. These errors have been corrected by restating each of the affected financial statement line items for the prior year.

3. New and revised accounting standards and policies
The Commission did not voluntarily change any of its accounting policies during 2012-13. AASs and interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Commission for the period ending 30 June 2013. The Commission 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 Commission.

4. Employee benefits expenses

	2013	2012
	$'000	$'000
Salaries and wages	14 649	13 805
LSL	20	869
Annual leave	84	35
Employment on-costs - superannuation	1 514	1 507
Employment on-costs - payroll tax	334	340
Skills and experience retention leave	94	-
Commission members' remuneration	89	101
Workers compensation	120	92
Total employee benefits expenses	16 904	16 749

Remuneration of employees

	2013	2012
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
$138 000 - $147 999	3	4
$148 000 - $157 999	1	1
$158 000 - $167 999	-	2
$168 000 - $177 999	2	1
$178 000 - $187 999	1	-
$188 000 - $197 999	-	1
$198 000 - $207 999	1	-
$208 000 - $217 999	-	1
$228 000 - $237 999	-	1
$238 000 - $247 999	1	-
$258 000 - $267 999	1	-
$268 000 - $277 999	1	1
Total	11	12

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 FBT paid or payable in respect of those benefits.

The total remuneration received by these employees for the year was $2.089 million ($2.124 million).

5. State expensive cases matters

	2013	2012
	$'000	$'000
State expensive case reimbursed	136	1 618
Total State expensive cases reimbursed	136	1 618

The Commission is required to provide litigation services pursuant to the *Criminal Law (Legal Representation) Act 2001* for State matters that exceed the Commission's prescribed funding cap. Section 18(6) defines the funding cap to mean an amount fixed as the funding cap for criminal cases by the Commission for a particular financial year. The funding cap is $60 000 in the case of one party being aided and $120 000 in the case of more than one party, irrespective of the number being aided. These matters are separately funded by the State Government (refer note 14).

6. Supplies and services

	2013	2012
	$'000	$'000
Accommodation	1 909	1 632
Computing and communications	1 389	1 166
Office supplies and consumables	289	318
Interpreter fees	241	278
Periodicals and subscriptions	227	221
Travel	219	287
Media and advertising	49	49
Consultancy fees	37	10
Other	585	528
Total supplies and services	4 945	4 489

	2013	2012
Supplies and services provided by entities within SA Government:		
Accommodation	203	205
Computing and communications	169	238
Travel	45	85
Office supplies and consumables	9	15
Other	157	206
Total supplies and services - SA Government entities	583	749

6. Supplies and services (continued)

The number and dollar amount of consultancies paid/payable (included in supplies and services expenses) that fell within the following bands:	2013 Number	2013 $'000	2012 Number	2012 $'000
Below $10 000	4	8	2	10
Between $10 000 and $50 000	2	29	-	-
Total paid/payable to the consultants engaged	6	37	2	10

7. Depreciation and amortisation expense

	2013 $'000	2012 $'000
Depreciation:		
Plant and equipment	159	163
Total depreciation	159	163
Amortisation:		
Leasehold improvements	60	71
Intangible assets	491	83
Total amortisation	551	154
Total depreciation and amortisation expense	710	317

8. Other expenses

Statutory charge bad debts and allowance for doubtful debts	201	60
Other bad debts and allowance for doubtful debts	67	35
Total other expenses	268	95

9. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	76	57
Total auditor's remuneration	76	57

Other services

No other services were provided by the Auditor-General's Department. Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of supplies and services - other (refer note 6).

10. *Legal Practitioners Act 1981* revenue

In accordance with the *Legal Practitioners Act 1981* the Commission is entitled to revenue from funds administered by the Law Society of South Australia.

Amounts related to the:	2013 $'000	2012 $'000
Statutory Interest account	1 077	1 343
Interest on Legal Practitioners Trust Account	1 672	2 223
Legal Practitioners Guarantee Fund	-	64
Total *Legal Practitioners Act 1981* revenue	2 749	3 630

11. Costs recovered and contributions

Costs recovered	159	169
Contributions*	324	260
Total costs recovered and contributions	483	429

* In addition, contributions of $750 000 ($524 000) in relation to referred cases were paid or are payable directly to private practitioners by clients.

12. Other income

Other income from entities external to the SA Government	260	618
Other income from entities within the SA Government	373	166
Total other income	633	784

13. Commonwealth Government

A National Partnership Agreement on Legal Assistance Services between the Commonwealth of Australia and States and Territories is effective from 1 July 2010 to 30 June 2014. Pursuant to that agreement, the Commonwealth Government contributed funding of $15.695 million ($15.434 million) to South Australia for the year ended 30 June 2013.

The Commission is also party to a separate agreement with the Commonwealth of Australia to provide services under the Immigration Advice and Application Assistance Scheme. The agreement contributed funding of $87 000 ($163 000)

14. State Government

In 2012-13 the State Government contributed funding of $19.454 million ($18.903 million).

The Commission is separately funded by the State Government for matters that exceed the Commission's prescribed funding cap. The matters are funded pursuant to the *Criminal Law (Legal Representation) Act 2001*. The Commission enters into an approved case management agreement with the State Government for these matters.

The State Government provided $136 000 ($1.618 million) for approved expensive cases that exceeded the Commission cap.

15. Cash and cash equivalents	2013	2012
	$'000	$'000
Short-term deposits with SAFA	18 300	18 042
Cash at bank and on hand	90	210
Total cash and cash equivalents	18 390	18 252

Short-term deposits

Short-term deposits are held with SAFA in the Cash Management Facility. The Cash Management Facility is an at-call, pooled investment portfolio comprising cash and short-term money market securities. The daily earnings from the portfolio's investments are applied to the Commission's investment balances. The Cash Management Facility interest rate is the Reserve Bank of Australia's cash rate plus a margin set by the SAFA General Manager.

Cash at bank and on hand

Cash on hand is non-interest bearing being petty cash. Deposits with BankSA (cash at bank) earn a floating interest rate based on daily bank deposit rates with interest paid semi-annually. The carrying amount of cash and cash equivalents represents fair value.

16. Receivables	2013	2012
	$'000	$'000
Legal Practitioners Act 1981 debtors	703	895
GST input tax recoverable	465	288
Client debtors and other debtors	352	338
Allowance for doubtful debts	(40)	-
Prepayments	280	379
Total receivables	1 760	1 900

17. Property, plant and equipment

17.1 Property, plant and equipment

Leasehold improvements at fair value	870	870
Accumulated depreciation	(760)	(700)
Total leasehold improvements at fair value	110	170
Plant and equipment at fair value	2 068	2 061
Accumulated depreciation	(1 713)	(1 554)
Total plant and equipment at fair value	355	507
Library at fair value	291	291
Total library at fair value	291	291
Work in progress	385	-
Total work in progress	385	-
Total property, plant and equipment	1 141	968

17.2 Intangible assets

	2013	2012
	$'000	$'000
Computer software	1 557	1 557
Accumulated amortisation	(657)	(166)
Total intangible assets	900	1 391

17.3 Reconciliation of non-current assets

2013	Carrying amount 01.07.12	Additions	Depreciation/ Amortisation expense	Carrying amount 30.06.13
	$'000	$'000	$'000	$'000
Leasehold improvements	170	-	(60)	110
Plant and equipment	507	7	(159)	355
Library	291	-	-	291
Work in progress	-	385	-	385
Total property, plant and equipment	968	392	(219)	1 141
Computer software	1 391	-	(491)	900
Total intangible assets	1 391	-	(491)	900

2012	Carrying amount 01.07.11	Additions	Depreciation/ Amortisation expense	Carrying amount 30.06.12
	$'000	$'000	$'000	$'000
Leasehold improvements	236	5	(71)	170
Plant and equipment	491	179	(163)	507
Library	291	-	-	291
Work in progress	-	-	-	-
Total property, plant and equipment	1 018	184	(243)	968
Computer software	510	964	(83)	1 391
Total intangible assets	510	964	(83)	1 391

18. Statutory charge debtors

Statutory charge debtors are raised as a result of the Commission registering charges over property owned by some recipients of legal aid to secure legal costs owed on cases undertaken and are reported at amounts due. Debts are recovered when the property is refinanced or sold.

	2013	2012
	$'000	$'000
Statutory charge debtors	5 914	5 460
Allowance for doubtful debts	(80)	-
Total statutory charge debtors	5 834	5 460

19. Payables

Current:		
Creditors	70	45
Accrued expenses	186	214
Employment on-costs	160	142
Total current payables	416	401
Non-current:		
Employment on-costs	201	219
Total non-current payables	201	219
Total payables	617	620
Payables to SA Government entities:		
Creditors	43	-
Accrued expenses	81	75
Total payables to SA Government entities	124	75

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has remained at the 2012 rate of 40% and the average factor for the calculation of employer superannuation cost on-cost has changed from the 2012 rate of 10.3% to 10.2%. These rates are used in the employment on-cost calculation.

The net financial effect of the change in the current financial year is a decrease in the employment on-cost of $6000 and employee benefit expense of $6000.

20. Employee benefits

	2013	2012
Current:	$'000	$'000
Annual leave	962	878
LSL	286	422
Skills and experience retention leave	94	-
Total current employee benefits	1 342	1 300
Non-current:		
LSL	3 011	3 160
Total non-current employee benefits	3 011	3 160
Total employee benefits	4 353	4 460

AASB 119 contains the calculation methodology for LSL liability. This year, an actuarial assessment performed by DTF was used to calculate the liability rather than using a shorthand measurement technique for liability calculation.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has increased from 3% (2012) to 3.75% (2013).

This increase in the bond yield, which is used as the rate to discount future LSL cash flows, contributed to a decrease in the reported LSL liability.

The net financial effect of the changes in the methodology and actuarial assumptions in the current financial year is a decrease in the LSL liability of $225 000 and employee benefit expense of $225 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

21. Cash flow reconciliation

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

	2013	2012
	$'000	$'000
Short-term deposits with SAFA	18 300	18 042
Cash at bank and on hand	90	210
Cash and cash equivalents disclosed in the Statement of Financial Position	18 390	18 252
Balance as per Statement of Cash Flows	18 390	18 252

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services

	2013	2012
Net cash provided by (used in) operating activities	530	4 140
Revenues from government	(35 372)	(36 118)
Non-cash items:		
Depreciation and amortisation	(710)	(317)
Allowance for bad and doubtful debts	(120)	-
Movements in assets/liabilities:		
Statutory charge debtors	454	351
Receivables	(100)	(192)
Employee benefits	107	(613)
Legal payables	379	(373)
Payables	3	173
Net cost of providing services	(34 829)	(32 949)

22. Unrecognised contractual commitments

(a) Legal expense commitments

	2013	2012
Later than one year but not later than five years	5 360	4 321
Total legal expense commitments	5 360	4 321

(a) Legal expense commitments (continued)

As at 30 June 2013, the Commission has a future commitment of $5.36 million ($4.321 million) on legal cases referred to private practitioners which are still to be finalised. The Commonwealth and State components are as follows:

	Commonwealth		State	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Legal expense commitments	1 958	1 767	3 402	2 554

The Commission reviewed outstanding legal commitments and determined that commitments less the underutilisation factor of 22.45% Commonwealth and 29.92% State (24.38% and 32.22%) would be recognised on all outstanding amounts raised since January 2012 (ie the previous 18 months).

Commitments raised prior to this date have not been recognised. If any file prior to this date is reactivated, new commitments will be raised.

In the normal course of business, further commitments may be required on recognised legal cases. It is not possible to quantify that amount.

(b) Operating lease commitments

	2013	2012
	$'000	$'000
Not later than one year	2 356	354
Later than one year but not later than five years	9 442	508
Later than five years	26 814	-
Total operating lease commitments	38 612	862

At the reporting date the Commission held the above obligations under non-cancellable operating leases. The operating leases held by the Commission are predominantly property leases with penalty clauses equal to the amount of the residual payments remaining for the lease term. The lease payments are payable one month in advance. In 2012-13 the Commission entered into a memorandum of understanding with the Minister for Transport and Infrastructure to lease new city business accommodation over a 15-year term, with the option to renew available in 2029. There are no existing contingent rental provisions.

(c) Remuneration commitments

	2013	2012
	$'000	$'000
Not later than one year	2 233	2 096
Later than one year but not later than five years	2 273	1 489
Total remuneration commitments	4 506	3 585

The amounts disclosed as remuneration commitments are for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities.

The Commission does not offer fixed-term remuneration contracts greater than five years.

23. Remuneration of Commission members

Members of the Commission during the 2012-13 financial year were:

Ms Dymphna Eszenyi (Chairman)	
Ms Gabrielle Canny* (ex officio)	Appointed 2 August 2012
Mr Alan Herald	Appointed 6 December 2012
Mr John Keen	Appointed 10 September 2012
Ms Jayne Basheer	Appointed 4 October 2012
Mr Michael Dawson	
Mr Andrew English*	
Ms Tracee Micallef	
Ms Maurine Pyke, QC	
Mr Hugh Gilmore* (ex officio)	Retired 31 July 2012
Mr David Meyer	Retired 9 September 2012
Mr Michael Burgess	Retired 19 November 2012
Mr David Mazzone*	Resigned 3 April 2013

23. Remuneration of Commission members (continued)

The number of members whose remuneration received or receivable fell within the following bands was:	2013 Number	2012 Number
$0	4	2
$1 - $10 000	4	2
$10 001 - $20 000	4	6
$20 001 - $30 000	1	1
Total	13	11

Remuneration of members reflects all costs of performing Commission member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was $97 000 ($110 000) including $8000 ($9000) paid or payable to superannuation plans for Commission members.

* In accordance with DPC Circular 16, Commission members who are government employees did not receive any remuneration for Commission duties during the financial year.

The members of the Commission are appointed by the Governor in accordance with the provisions of the Act and include sole practitioners. In the ordinary course of business the Commission enters into transactions with legal firms, some of which are associated with members of the Commission. Payments made to these firms are in accordance with the Commission's scale of fees and are payments that apply to practitioners generally. Accordingly, 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.

24. Contingent assets and liabilities

At balance date, and as at the date of financial statement certification, there were no known contingent assets or liabilities.

25. Financial instruments/Financial risk management

25.1 Categorisation of financial instruments

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

		Carrying amount	
		2013	2012
Financial assets	Note	$'000	$'000
Cash and cash equivalents	15	18 390	18 252
Receivables(1)(2)	16	127	176
Total financial assets		18 517	18 428
Financial liabilities			
Financial liabilities - at cost:			
Payables(1)	19	240	260
Total financial liabilities		240	260

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

(2) Receivable amounts disclosed here exclude prepayments. Prepayments are presented in note 16 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or other financial assets.

Fair value

The Commission does not recognise any financial assets or financial liabilities at fair value (refer note 2).

Credit risk

Credit risk arises when there is the possibility of the Commission's debtors defaulting on their contractual obligations resulting in financial loss to the Commission. The Commission 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 25.1 represents the Commission's maximum exposure to credit risk. No collateral is held as security and no credit enhancements relate to financial assets held by the Commission. The Commission has minimal concentrations of credit risk. The Commission has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Commission 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. Other than in-house contributions owed by legal aid recipients (a statutory receivable excluded from this note), there is no evidence to indicate that any other Commission financial assets are impaired. Refer note 2.11 for information on the allowance for impairment in relation to receivables.

25.2 Ageing analysis of financial assets

The following table discloses the ageing of financial assets past due, including impaired assets past due:

	Past due by			
	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2013	$'000	$'000	$'000	$'000
Not impaired:				
Receivables[(1)]	72	8	47	127
2012				
Not impaired:				
Receivables[(1)]	70	-	106	176

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

Maturity analysis of financial assets and financial liabilities

The Commission has assessed the maturity of its financial assets and financial liabilities as being less than one year.

Liquidity risk

Liquidity risk arises where the Commission is unable to meet its financial obligations as they are due to be settled. The Commission is funded principally from appropriations by the State and Commonwealth Governments. The Commission 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. The Commission 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 Commission's exposure to liquidity risk is insignificant based on past experience and current assessment of risk. The carrying amount of financial liabilities recorded in note 25.1 represents the Commission's maximum exposure to financial liabilities.

Market risk

Market risk for the Commission is primarily through interest rate risk. There is no exposure to foreign currency or other price risks.

Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk of the Commission as it has been determined that the possible impact on total comprehensive result or total equity from fluctuations in interest rates is immaterial.

26. Events after the reporting period

Expenditure for the fitout of 30 Flinders Street building and the ICT Client Service Delivery Model project has been approved by the Commission. These projects will be completed in the 2013-14 financial year.

The Legislature

Functional responsibility

Establishment

The Legislature, for the purposes of this Report, comprises the:

- House of Assembly established under the *Constitution Act 1934*
- Legislative Council established under the *Constitution Act 1934*
- Joint Parliamentary Service established under the *Parliament (Joint Services) Act 1985*.

Functions

The House of Assembly and the Legislative Council constitute the Parliament of South Australia. The main purpose of Parliament is to legislate for peace, order and responsible governance of South Australia.

The House of Assembly consists of 47 Members. The Legislative Council consists of 22 Members. The Members are elected by the inhabitants of the State legally qualified to vote.

The Joint Parliamentary Service provides services to Parliament including Hansard reporting, library facilities, catering, financial administration and building accommodation. The Joint Parliamentary Service is administered by the Joint Parliamentary Service Committee which comprises the Speaker and two Members of the House of Assembly and the President and two Members of the Legislative Council.

Audit mandate and coverage

Audit authority

Audit of the financial reports

Section 31(1) of the PFAA provides for the Auditor-General to audit the public accounts in respect of each financial year.

Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial reports.

During 2012-13, specific areas of audit attention included:

- salaries of employees of the Legislature
- Members' salaries and allowances
- accounts payable and procurement
- general ledger
- asset register.

Audit findings and comments

Auditor's reports on the financial reports

House of Assembly

In my opinion, the financial report gives a true and fair view of the financial position of the House of Assembly as at 30 June 2013, 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.

Legislative Council

In my opinion, the financial report gives a true and fair view of the financial position of the Legislative Council as at 30 June 2013, 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.

Joint Parliamentary Service

The following is an extract from the 2012-13 Independent Auditor's Report, which details the modification to the Joint Parliamentary Service's financial report.

> ***Basis for Disclaimer of Opinion***
>
> *The members of the Joint Parliamentary Service Committee are responsible for the management of the Joint Parliamentary Service. The members have not provided unrestricted access to the minutes of their meetings. As a result, I cannot assess whether matters deliberated and decided by the members that have financial consequences have been recognised or disclosed in the financial report.*
>
> *The members of the Joint Parliamentary Service Committee are responsible for the control and management of the dining and refreshment services of Parliament House. Certain income from the provision of these services and certain associated expenditure has been omitted from the financial report. The members have not provided access to this financial information to enable the effect of the omission on the financial report to be quantified.*
>
> ***Disclaimer of Opinion***
>
> *Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial report.*

This modification was also given to last year's general purpose financial statements. It results from a limitation of scope of audit (granting of Audit access to Service records, including catering records) and the limitation in the completeness of disclosures in the financial statements relating to the dining and refreshment services of Parliament House.

The inability to perform a complete audit of the functions and financial activity of the Joint Parliamentary Service was again raised with the Joint Parliamentary Service Committee. Audit has been advised that there is no change in the Committee's position of not providing Audit access to the Committee's minutes of meetings and to the records and accounts relating to the catering division trading account activities.

In my opinion, the financial accountability and auditability of the Joint Parliamentary Service falls short of that adopted and applied to the public accounts and the financial operations and accounts of public authorities.

Communication of audit matters

Matters arising during the course of the audit were provided in a management letter to the Secretary, Joint Parliamentary Service Committee. The matters raised with the Secretary included the need to ensure that invoices were correctly authorised and that accounting policies were reviewed on a regular basis. The response indicated that both matters had been addressed.

Interpretation and analysis of the financial reports

Highlights of the financial report

House of Assembly	2013 $'million	2012 $'million
Expenses		
Employee benefits expenses	2.6	2.3
Members' salaries and allowances	8.6	7.9
Other expenses	3.4	5.3
Total expenses	14.6	15.5
Revenues from SA Government	14.6	13.9
Net result	-	(1.6)
Total assets	3.8	3.6
Total liabilities	1.5	1.4

Legislative Council	2013 $'million	2012 $'million
Expenses		
Employee benefits expenses	1.9	1.9
Members' salaries and allowances	4.7	4.4
Other expenses	1.6	2.9
Total expenses	8.2	9.2
Revenues from SA Government	8.3	8.2
Net result	0.1	(1.0)
Total assets	2.6	2.5
Total liabilities	1.6	1.6

Joint Parliamentary Service	2013 $'million	2012 $'million
Expenses		
Employee benefits expenses	5.6	5.6
Other expenses	5.9	4.3
Total expenses	11.5	9.9
Total income	0.6	3.2
Revenues from SA Government	14.7	7.9
Net result	3.8	1.2

	2013 $'million	2012 $'million
Total assets	90.9	86.3
Total liabilities	3.4	2.5

The Joint Parliamentary Service recognised building improvements of $7.6 million of which $6.9 million related to the upgrade of the Old Parliament House. The increase in revenue from government of $6.8 million was mainly for the Old Parliament House upgrade.

Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Expenses:			
Employee benefits	4	2 569	2 338
Members' salaries and allowances	5	8 599	7 904
Supplies and services	6	2 788	3 022
Depreciation	7	300	216
Net loss on disposal of non-current assets	11	30	2
Assets provided at nil consideration	11	347	2 021
Total expenses		14 633	15 503
Income:			
Other income		29	1
Total income		29	1
Net cost of providing services		14 604	15 502
Revenues from SA Government	8	14 632	13 894
Net result		28	(1 608)
Total comprehensive result		28	(1 608)

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets:			
Cash and cash equivalents	9	1 430	1 180
Receivables	10	68	81
Total current assets		1 498	1 261
Non-current assets:			
Property, plant and equipment	11	2 265	2 311
Total non-current assets		2 265	2 311
Total assets		3 763	3 572
Current liabilities:			
Payables	12	227	209
Employee benefits	13	374	355
Provisions	14	5	2
Total current liabilities		606	566
Non-current liabilities:			
Payables	12	46	41
Employee benefits	13	842	737
Provisions	14	20	7
Total non-current liabilities		908	785
Total liabilities		1 514	1 351
Net assets		2 249	2 221
Equity:			
Retained earnings		2 198	2 170
Revaluation surplus		51	51
Total equity		2 249	2 221
Unrecognised contractual commitments	15		
Contingent assets and liabilities	17		

Statement of Changes in Equity
for the year ended 30 June 2013

	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2011	51	3 778	3 829
Net result for 2011-12	-	(1 608)	(1 608)
Total comprehensive result for 2011-12	-	(1 608)	(1 608)
Balance at 30 June 2012	51	2 170	2 221
Net result for 2012-13	-	28	28
Total comprehensive result for 2012-13	-	28	28
Balance at 30 June 2013	51	2 198	2 249

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefits		(2 429)	(2 154)
Members' superannuation		(1 503)	(1 372)
Payments for supplies and services		(3 041)	(3 298)
Cash used in operations		(6 973)	(6 824)
Cash inflows:			
GST recovered from ATO		286	330
Other receipts		32	1
Cash generated from operations		318	331
Cash flows from SA Government:			
Receipts from SA Government		7 536	7 362
Cash generated from SA Government		7 536	7 362
Net cash provided by (used in) operating activities	19	881	869
Cash flows from investing activities:			
Purchase of property, plant and equipment		(631)	(603)
Net cash provided by (used in) investing activities		(631)	(603)
Net increase (decrease) in cash and cash equivalents		250	266
Cash and cash equivalents at 1 July		1 180	914
Cash and cash equivalents at 30 June	9	1 430	1 180

Notes to and forming part of the financial statements

1. Objective of the House of Assembly

The House of Assembly is established under the *Constitution Act 1934*. The House of Assembly, together with the Legislative Council, constitute the Parliament of South Australia. The principle purpose of Parliament is to legislate for peace, order and responsible governance of South Australia. The House of Assembly consists of 47 Members elected by the inhabitants of the State legally qualified to vote. The House of Assembly also employs clerical and administrative officers.

Certain support services provided to the House of Assembly are not reflected in these financial statements but in the financial statements of the Joint Parliamentary Service.

2. Summary of significant accounting policies

(a) Statement of compliance

The House of Assembly has prepared these financial statements in compliance with section 23 of the PFAA.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and comply with TIs and APSs promulgated under the provision of the of the PFAA.

The House of Assembly has applied AASs that are applicable to not-for-profit entities, as the House of Assembly is a not-for-profit entity.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the House of Assembly for the reporting period ending 30 June 2013 (refer note 3).

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the House of Assembly's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in this financial report:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies
  - (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
  - (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented.

(c) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSs 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.

(d) Rounding

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

(e) Taxation

The House of Assembly is not subject to income tax. The House of Assembly is liable for payroll tax, FBT, 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.

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.

(f) Income

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

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

The following are specific recognition criteria:

Revenues from SA Government

Appropriations are recognised as revenues when the House of Assembly obtains control over the funding. Control over appropriations is normally obtained upon receipt.

(g) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the House of Assembly 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

Employee benefits include all cost related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

Superannuation
The amount charged to the Statement of Comprehensive Income represents the contributions made by the House of Assembly to the superannuation plan in respect of current services of current House of Assembly staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Members' salaries and allowances
Allowances and benefits provided to Members by other State Government agencies and included in their financial statements are not recognised or disclosed in these financial statements apart from Ministers' salaries and allowances disclosed in note 5.

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

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

Land is not depreciated.

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

Class of asset	*Useful life*
Plant and equipment	5-30 years
Fixtures and fittings	5-10 years
Computer equipment	3-5 years

The majority of fixtures and fittings are antiques. They are anticipated to have a very long and indeterminate useful life. Consequently, no amount for depreciation has been recognised during the reporting period for these assets.

Works of art controlled by the House of Assembly are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.

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

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

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

Where an asset line item combine amounts expected to be settled within 12 months and more than 12 months, the House of Assembly has separately disclosed the amounts expected to be recovered after more than 12 months.

Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

Receivables
Receivables include amounts receivable from GST input tax credits recoverable, prepayments and accruals.

Receivables are generally settled within 30 days after the issue of an invoice.

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

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

All non-current tangible assets with a value equal to or in excess of $5000 are capitalised.

Buildings within which the House of Assembly operate are recognised in the financial statements for the Joint Parliamentary Service.

Art work on loan from the Art Gallery of South Australia is not recognised in the financial statements.

Expenditure on assets not fully constructed at 30 June is disclosed separately as capital works in progress. Assets contributed by the House of Assembly to the Joint Parliamentary Service once completed are recognised in the Statement of Comprehensive Income as an expense in the period contributed.

Revaluation of non-current assets
All non-current tangible assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

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

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

An independent valuation of the plant and equipment was conducted as at 30 June 2011 by Fred Taormina, BAppSc (Val), AAPI, Certified Practicing Valuer on behalf of Valcorp Pty Ltd. The valuation at 30 June 2011 was prepared on a fair value basis.

An independent valuation of the works of art, fixtures and fittings was conducted by Mr Stephen Sinclair, a recognised expert in the industry, at 30 June 2011. The valuation at 30 June 2011 was a desktop valuation that updated a previous valuation at 30 June 2006. The valuation was determined at net market value.

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

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

(j) Liabilities

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

Where a liability line item combine amounts expected to be settled within 12 months and more than 12 months, the House of Assembly has separately disclosed the amounts expected to be settled after more than 12 months.

Payables

Payables include creditors, accrued expenses, GST payable and employee on-costs.

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

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, 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, workers compensation and superannuation contributions in respect to outstanding liabilities for salaries and wages, LSL, annual leave and skills and experience retention leave.

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

Leases

The House of Assembly leases office premises. Lease payments are increased annually in accordance with movements in the CPI.

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 asset.

Employee benefits

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

- *Wages, salaries, annual leave, 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 skills and experience retention leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages, annual leave and skills and experience retention leave liability are payable later than 12 months, the liability will be measured at present value.

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

- *LSL*

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

  The unconditional portion of the LSL provision is classified as current as the House of Assembly does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of LSL relates to an unconditional legal entitlement to payment arising after 10 years of service.

Provisions

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2013 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The House of Assembly is responsible for the payment of workers compensation claims.

Insurance

The House of Assembly has insured for risks through SAICORP, a division of SAFA.

Under these insurance arrangements the House of Assembly will meet the first $5000 deductible of a loss or claim arising from property damage or civil liability (including public liability, products liability, professional indemnity and officers' liability).

(k) Unrecognised contractual commitments and contingent assets and liabilities

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

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

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the 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 House of Assembly did not voluntarily change any of its accounting policies during 2012-13.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the House of Assembly for the period ending 30 June 2013. The House of Assembly 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 House of Assembly.

4. Employee benefits

	2013	2012
	$'000	$'000
Salaries and wages	2 128	1 970
Employee on-costs - superannuation	224	200
Employee on-costs - other	198	182
Workers compensation	19	(14)
Total employee benefits	2 569	2 338

Remuneration of employees

	2013	2012
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
$134 000 - $147 999*	-	-
$148 000 - $157 999	-	1
$158 000 - $167 999	1	-
$218 000 - $227 999	1	1
Total	2	2

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2011-12.

Remuneration of employees (continued)

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 FBT paid or payable in respect of those benefits. The total remuneration received by these employees was $386 000 ($376 000).

5. Members' salaries and allowances

	2013	2012
	$'000	$'000
Members' salaries and allowances	7 096	6 532
Superannuation	1 503	1 372
Total members salaries and allowances	8 599	7 904

Members' salaries, electorate allowances and additional salaries of $7.1 million ($6.5 million) reflected in these financial statements are paid from appropriations administered by the Joint Parliamentary Service. The appropriations are provided under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*. Ministers' salaries and allowances totalling $3.3 million ($3.1 million) and superannuation of $804 000 ($857 000) are not reported in these financial statements but in the financial statements of each Minister's respective department.

6. Supplies and services

	2013	2012
Supplies and services provided by entities within the SA Government:	$'000	$'000
Printing	546	512
Information technology	454	232
Leases	113	110
Publications	1	83
Security	95	99
Vehicle hire	13	13
Total supplies and services - SA Government entities	1 222	1 049
Supplies and services provided by entities external to the SA Government:		
Members' travel, accommodation, stationery and related expenses	730	908
Travelling expenses	87	54
FBT	108	173
Stationery	35	39
Publications	9	7
Information technology	140	120
Printing	16	14
Staff training and development	31	9
Commonwealth Parliamentary Association	39	20
Records and artwork management	25	235
Agency staff hire	50	35
Consultants fees	72	114
Advertisements	32	37
Repairs and maintenance	54	49
Minor works and equipment	32	15
Other	106	144
Total supplies and services - non-SA Government entities	1 566	1 973
Total supplies and services	2 788	3 022

The number and dollar amount of consultancies paid/payable (included in supplies and services expenses) that fell within the following bands:	2013 Number	2013 $'000	2012 Number	2012 $'000
Below $10 000	2	3	1	1
Between $10 000 and $50 000	4	69	-	-
Above $100 000	-	-	1	113
Total paid/payable to consultants engaged	6	72	2	114

7. Depreciation

	2013	2012
	$'000	$'000
Plant and equipment	9	3
Fixtures and fittings	10	8
Computer equipment	281	205
Total depreciation	300	216

8. Revenues from SA Government

	2013 $'000	2012 $'000
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	7 536	7 362
Appropriations received under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*	7 096	6 532
Total revenues from SA Government	14 632	13 894

9. Cash and cash equivalents

Deposits with the Treasurer	1 430	1 180
Total cash and cash equivalents	1 430	1 180

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

10. Receivables

	2013 $'000	2012 $'000
Receivables	7	11
Prepayments	61	40
Other	-	30
Total current receivables	68	81

11. Property, plant and equipment

Plant and equipment:		
Independent valuation	158	78
Accumulated depreciation	(41)	(34)
Total plant and equipment	117	44
Fixtures and fittings:		
Independent valuation	496	242
Accumulated depreciation	(38)	(28)
Total fixtures and fittings	458	214
Computing equipment:		
At cost (deemed fair value)	1 220	860
Accumulated depreciation	(470)	(248)
Total computing equipment	750	612
Works of art:		
Independent valuation	669	669
Total works of art	669	669
Capital works in progress:		
Capital works in progress	271	772
Total capital works in progress	271	772
Total property, plant and equipment	2 265	2 311

Valuation of assets

An independent valuation of the plant and equipment was conducted as at 30 June 2011 by Fred Taormina, BAppSc (Val), AAPI, Certified Practicing Valuer on behalf of Valcorp Pty Ltd. The valuation at 30 June 2011 was prepared on a fair value basis.

An independent valuation of the works of art, fixtures and fittings was conducted by Mr Stephen Sinclair, a recognised expert in the industry, at 30 June 2011. The valuation at 30 June 2011 was a desktop valuation that updated a previous valuation at 30 June 2006. The valuation was determined at net market value.

Asset movement reconciliation

2013	Plant and equipment $'000	Fixtures and fittings $'000	Computer equipment $'000	Works of art $'000	Capital works in progress $'000	Total $'000
Carrying amount at 1 July	44	214	612	669	772	2 311
Additions	82	254	49	-	260	645
Additions - transfers to (from) CWIP	-	-	400	-	(414)	(14)
Depreciation	(9)	(10)	(281)	-	-	(300)
Assets provided for nil consideration	-	-	-	-	(347)	(347)
Disposals	-	-	(30)	-	-	(30)
Carrying amount at 30 June	117	458	750	669	271	2 265

Asset movement reconciliation (continued)

2012	Plant and equipment $'000	Fixtures and fittings $'000	Computer equipment $'000	Works of art $'000	Capital works in progress $'000	Total $'000
Carrying amount at 1 July	27	222	624	669	2 405	3 947
Additions	22	-	193	-	548	763
Additions - transfers to (from) CWIP	-	-	-	-	(160)	(160)
Depreciation	(3)	(8)	(205)	-	-	(216)
Assets provided for nil consideration	-	-	-	-	(2 021)	(2 021)
Disposals	(2)	-	-	-	-	(2)
Carrying amount at 30 June	44	214	612	669	772	2 311

12. Payables

	2013 $'000	2012 $'000
Current:		
Creditors	32	62
Accrued expenses	149	107
Employee on-costs	46	40
Total current payables	227	209
Non-current:		
Employee on-costs	46	41
Total non-current payables	46	41
Total payables	273	250

Government/Non-government payables

	2013 $'000	2012 $'000
Payables to SA Government entities:		
Creditors	13	19
Accrued expenses	113	49
Employee on-costs	1	-
Total payables to SA Government entities	127	68
Payables to non-SA Government entities:		
Creditors	19	43
Accrued expenses	36	58
Employee on-costs	91	81
Total payables to non-SA Government entities	146	182
Total payables	273	250

13. Employee benefits

	2013 $'000	2012 $'000
Current:		
Annual leave	248	202
LSL	105	150
Skills and experience retention leave	15	-
Accrued salaries and wages	6	3
Total current employee benefits	374	355
Non-current:		
LSL	842	737
Total non-current employee benefits	842	737
Total employee benefits	1 216	1 092

AASB 119 contains the calculation methodology for LSL liability. This year, an actuarial assessment performed by DTF was used to calculate the liability rather than using a shorthand measurement technique for the calculation of the liability.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has increased from 2012 (3%) to 2013 (3.75%).

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is immaterial. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

14. Provisions

	2013	2012
Current:	$'000	$'000
Provision for workers compensation	5	2
Total current provisions	5	2
Non-current:		
Provision for workers compensation	20	7
Total non-current provisions	20	7
Total provisions	25	9

Provision movement

Carrying amount at 1 July	9	23
Additional provisions recognised	20	(14)
Reductions arising from payments	4	-
Carrying amount at 30 June	25	9

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on the actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

15. Unrecognised contractual commitments

	2013	2012
Operating lease commitments	$'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	100	96
Later than one year but no longer than five years	258	358
Total operating lease commitments	358	454

The House of Assembly's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to four years with some leases having the right of renewal. Rent is payable in arrears.

16. Events after the reporting period

There have been no events after the reporting period.

17. Contingent assets and liabilities

The House of Assembly is not aware of any contingent assets or liabilities.

18. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department are the responsibility of the Joint Parliamentary Service.

19. Cash flow reconciliation

	2013	2012
Reconciliation of cash and cash equivalents at 30 June:	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	1 430	1 180
Balance as per the Statement of Cash Flows	1 430	1 180

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services	2013 $'000	2012 $'000
Net cash provided by (used in) operating activities	881	869
Revenues from SA Government	(7 536)	(7 362)
Non-cash items:		
Depreciation	(300)	(216)
Gain (Loss) on sale or disposal of non-current assets	(30)	(2)
Assets provided for nil consideration	(347)	(2 021)
Members' salaries and allowances	(7 096)	(6 532)
Movements in assets/liabilities:		
Receivables	(13)	45
Payables	(23)	(99)
Employee benefits	(124)	(198)
Provisions	(16)	14
Net cost of providing services	(14 604)	(15 502)

20. Financial instruments/Financial risk management

20.1 Categorisation of financial instruments

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

		2013		2012	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	Note	$'000	$'000	$'000	$'000
Cash and cash equivalents:					
Cash and cash equivalents	9	1 430	1 430	1 180	1 180
Loans and receivables:					
Receivables[(1)(2)]	10	7	7	20	20
		1 437	1 437	1 200	1 200
Financial liabilities					
Financial liabilities at cost:					
Payables[(1)]	12	132	132	81	81
		132	132	81	81

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 10 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Credit risk

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

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

Liquidity risk

Liquidity risk arises where the House of Assembly is unable to meet its financial obligations as they are due to be settled. The House of Assembly is funded principally from appropriation by the SA Government. The House of Assembly 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. The House of Assembly 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 House of Assembly's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market risk

The House of Assembly has no market risk exposure to foreign currency or other price risks or interest rate risks.

Sensitivity disclosure analysis

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

Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Expenses:			
Employee benefits	4	1 873	1 902
Members' salaries and allowances	5	4 679	4 386
Supplies and services	6	1 357	1 586
Depreciation	7	144	126
Net loss on disposal of non-current assets	11	-	4
Assets provided for nil consideration	11	174	1 167
Total expenses		8 227	9 171
Income:			
Other income		1	1
Total income		1	1
Net cost of providing services		8 226	9 170
Revenues from SA Government	8	8 343	8 185
Net result		117	(985)
Total comprehensive result		117	(985)

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets:			
Cash and cash equivalents	9	1 031	846
Receivables	10	13	29
Total current assets		1 044	875
Non-current assets:			
Property, plant and equipment	11	1 592	1 609
Total non-current assets		1 592	1 609
Total assets		2 636	2 484
Current liabilities:			
Payables	12	154	150
Employee benefits	13	434	472
Provisions	14	1	1
Total current liabilities		589	623
Non-current liabilities:			
Payables	12	55	51
Employee benefits	13	994	929
Provisions	14	5	5
Total non-current liabilities		1 054	985
Total liabilities		1 643	1 608
Net assets		993	876
Equity:			
Retained earnings		917	800
Revaluation surplus		76	76
Total equity		993	876
Unrecognised contractual commitments	15		
Contingent assets and liabilities	17		

Statement of Changes in Equity
for the year ended 30 June 2013

	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2011	76	1 785	1 861
Net result for 2011-12	-	(985)	(985)
Total comprehensive result for 2011-12	-	(985)	(985)
Balance at 30 June 2012	76	800	876
Net result for 2012-13	-	117	117
Total comprehensive result for 2012-13	-	117	117
Balance at 30 June 2013	76	917	993

Statement of Cash Flows
for the year ended 30 June 2013

Cash flows from operating activities:	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash outflows:			
Employee benefits		(1 844)	(1 740)
Members' superannuation		(775)	(744)
Payments for supplies and services		(1 475)	(1 740)
Cash used in operations		(4 094)	(4 224)
Cash inflows:			
GST recovered from ATO		140	180
Other receipts		1	1
Cash generated from operations		141	181
Cash flows from SA Government:			
Receipts from SA Government		4 439	4 543
Cash generated from SA Government		4 439	4 543
Net cash provided by (used in) operating activities	19	486	500
Cash flows from investing activities:			
Purchase of property, plant and equipment		(301)	(305)
Net cash provided by (used in) investing activities		(301)	(305)
Net increase (decrease) in cash and cash equivalents		185	195
Cash and cash equivalents at 1 July		846	651
Cash and cash equivalents at 30 June	9	1 031	846

Notes to and forming part of the financial statements

1. Objective of the Legislative Council

The Legislative Council is established under the *Constitution Act 1934*. The Legislative Council, together with the House of Assembly, constitute the Parliament of South Australia. The principle purpose of Parliament is to legislate for peace, order and responsible governance of South Australia. The Legislative Council consists of 22 Members elected by the inhabitants of the State legally qualified to vote. The Legislative Council also employs clerical and administrative officers.

Certain support services provided to the Legislative Council are not reflected in these financial statements but in the financial statements of the Joint Parliamentary Service.

2. Summary of significant accounting policies

(a) Statement of compliance

The Legislative Council has prepared these financial statements in compliance with section 23 of the PFAA.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and comply with TIs and APSs promulgated under the provision of the PFAA.

The Legislative Council has applied AASs that are applicable to not-for-profit entities, as the Legislative Council is a not-for-profit entity.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Legislative Council for the reporting period ending 30 June 2013 (refer note 3).

(b) Basis of preparation

The preparation of the financial statements requires:

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

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented.

(c) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSs 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.

(d) Rounding

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

(e) Taxation

The Legislative Council is not subject to income tax. The Legislative Council is liable for payroll tax, FBT, 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.

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.

(f) Income

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

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

The following are specific recognition criteria:

Revenues from SA Government

Appropriations are recognised as revenues when the Legislative Council obtains control over the funding. Control over appropriations is normally obtained upon receipt.

(g) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Legislative Council 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

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

Superannuation
The amount charged to the Statement of Comprehensive Income represents the contributions made by the Legislative Council to the superannuation plan in respect of current services of current Legislative Council staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Members' salaries and allowances
Allowances and benefits provided to Members by other State Government agencies and included in their financial statements are not recognised or disclosed in these financial statements apart from Ministers' salaries and allowances disclosed in note 5.

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

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

Land is not depreciated.

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

Class of asset	*Useful life*
Plant and equipment	5-30 years
Fixtures and fittings	5-10 years
Computer equipment	3-5 years

The majority of fixtures and fittings are antiques. They are anticipated to have a very long and indeterminate useful life. Consequently, no amount for depreciation has been recognised during the reporting period for these assets.

Works of art controlled by the Legislative Council are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.

(h) Current and non-current classification

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

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

(i) Assets

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

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

Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

Receivables
Receivables include amounts receivable from GST input tax credits recoverable, prepayments and accruals.

Receivables are generally settled within 30 days after the issue of an invoice.

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

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

All non-current tangible assets with a value equal to or in excess of $5000 are capitalised.

Buildings within which the Legislative Council operate are recognised in the financial statements for the Joint Parliamentary Service.

Art work on loan from the Art Gallery of South Australia is not recognised in the financial statements.

Expenditure on assets not fully constructed at 30 June is disclosed separately as capital works in progress. Assets contributed by the Legislative Council to the Joint Parliamentary Service once completed are recognised in the Statement of Comprehensive Income as an expense in the period contributed.

Revaluation of non-current assets
All non-current tangible assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

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

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

An independent valuation of the plant and equipment was conducted as at 30 June 2011 by Fred Taormina, BAppSc (Val), AAPI, Certified Practicing Valuer on behalf of Valcorp Pty Ltd. The valuation at 30 June 2011 was prepared on a fair value basis.

An independent valuation of the works of art, fixtures and fittings was conducted by Mr Stephen Sinclair, a recognised expert in the industry, at 30 June 2011. The valuation at 30 June 2011 was a desktop valuation that updated a previous valuation at 30 June 2006. The valuation was determined at net market value.

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

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

(j) Liabilities

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

Where liability line items combine amounts expected to be settled within 12 months and more than 12 months, the Legislative Council has separately disclosed the amounts expected to be settled after more than 12 months.

Payables

Payables include creditors, accrued expenses, GST payable and employee on-costs.

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

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, 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, workers compensation and superannuation contributions in respect to outstanding liabilities for salaries and wages, LSL, annual leave and skills and experience retention leave.

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

Leases

The Legislative Council leases office premises. Lease payments are increased annually in accordance with movements in the CPI.

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 asset.

Employee benefits

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

- *Wages, salaries, annual leave, 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 skills and experience retention leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages, annual leave and skills and experience retention leave liability are payable later than 12 months, the liability will be measured at present value.

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

- *LSL*

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

  The unconditional portion of the LSL provision is classified as current as the Legislative Council does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of LSL relates to an unconditional legal entitlement to payment arising after 10 years of service.

Provisions

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2013 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Legislative Council is responsible for the payment of workers compensation claims.

Insurance

The Legislative Council has insured for risks through SAICORP, a division of SAFA.

Under these insurance arrangements the Legislative Council will meet the first $5000 deductible of a loss or claim arising from property damage or civil liability (including public liability, products liability, professional indemnity and officers' liability).

(k) Unrecognised contractual commitments and contingent assets and liabilities

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

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

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the 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 Legislative Council did not voluntarily change any of its accounting policies during 2012-13.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Legislative Council for the period ending 30 June 2013. The Legislative Council 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 Legislative Council.

4. Employee benefits

	2013	2012
	$'000	$'000
Salaries and wages	1 398	1 473
Employee on-costs - superannuation	345	318
Employee on-costs - other	129	133
Workers compensation	1	(22)
Total employee benefits	1 873	1 902

Remuneration of employees

	2013	2012
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
$134 000 - $157 999*	-	-
$158 000 - $167 999	1	1
$208 000 - $217 999	-	1
$218 000 - $227 999	1	-
Total	2	2

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2011-12.

Remuneration of employees (continued)

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 FBT paid or payable in respect of those benefits. The total remuneration received by these employees was $389 000 ($375 000).

5. Members' salaries and allowances

	2013	2012
	$'000	$'000
Members' salaries and allowances	3 904	3 642
Superannuation	775	744
Total members' salaries and allowances	4 679	4 386

Members' salaries, electorate allowances and additional salaries of $3.9 million ($3.6 million) reflected in these financial statements are paid from appropriations administered by the Joint Parliamentary Service. The appropriations are provided under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*. Ministers' salaries and allowances totalling $699 000 ($709 000) and superannuation of $155 000 ($139 000) are not reported in these financial statements but in the financial statements of each Minister's respective department.

6. Supplies and services

	2013	2012
Supplies and services provided by entities within the SA Government:	$'000	$'000
Publications	-	13
Printing	306	293
Information technology	59	108
Lease	51	50
Members' global allowance	34	58
Security	95	98
Vehicle hire	18	31
Total supplies and services - SA Government entities	563	651
Supplies and services provided by entities external to the SA Government:		
Members' travel, accommodation, stationery and related expenses	238	276
Members' global allowance	270	265
Travelling expenses	39	80
FBT	86	87
Stationery	16	18
Publications	17	16
Printing	5	17
Information technology	7	-
Telephones	5	4
Consultants fees	27	38
Advertisements	21	34
Other	63	100
Total supplies and services - non-SA Government entities	794	935
Total supplies and services	1 357	1 586

The number and dollar amount of consultancies paid/payable (included in supplies and services expenses) that fell within the following bands:	2013 Number	2013 $'000	2012 Number	2012 $'000
Below $10 000	6	12	3	8
Between $10 000 and $50 000	1	15	2	30
Total paid/payable to consultants engaged	7	27	5	38

Not included in the above table are consultancies for $2000 which were capitalised.

7. Depreciation

	2013	2012
	$'000	$'000
Plant and equipment	6	3
Fixtures and fittings	5	4
Computer equipment	133	119
Total depreciation	144	126

8. Revenues from SA Government

	2013	2012
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	4 439	4 543
Appropriations received under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*	3 904	3 642
Total revenues from SA Government	8 343	8 185

9. Cash and cash equivalents

	2013 $'000	2012 $'000
Deposits with the Treasurer	1 031	846
Total cash and cash equivalents	1 031	846

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

10. Receivables

	2013 $'000	2012 $'000
Receivables	1	-
Prepayments	12	-
Other	-	29
Total current receivables	13	29

11. Property, plant and equipment

	2013 $'000	2012 $'000
Plant and equipment:		
Independent valuation	74	43
Accumulated depreciation	(11)	(21)
Total plant and equipment	63	22
Fixtures and fittings:		
Independent valuation	648	524
Accumulated depreciation	(16)	(11)
Total fixtures and fittings	632	513
Computing equipment:		
At cost (deemed fair value)	650	456
Accumulated depreciation	(299)	(172)
Total computing equipment	351	284
Works of art:		
Independent valuation	399	399
Total works of art	399	399
Capital works in progress:		
Capital works in progress	147	391
Total capital works in progress	147	391
Total property, plant and equipment	1 592	1 609

Valuation of assets

An independent valuation of the plant and equipment was conducted as at 30 June 2011 by Fred Taormina, BAppSc (Val), AAPI, Certified Practicing Valuer on behalf of Valcorp Pty Ltd. The valuation at 30 June 2011 was prepared on a fair value basis.

An independent valuation of the works of art, fixtures and fittings was conducted by Mr Stephen Sinclair, a recognised expert in the industry, at 30 June 2011. The valuation at 30 June 2011 was a desktop valuation that updated a previous valuation at 30 June 2006. The valuation was determined at net market value.

Asset movement reconciliation

2013	Plant and equipment $'000	Fixtures and fittings $'000	Computer equipment $'000	Works of art $'000	Capital works in progress $'000	Total $'000
Carrying amount at 1 July	22	513	284	399	391	1 609
Additions	47	124	-	-	130	301
Additions - transfers to (from) CWIP	-	-	200	-	(200)	-
Depreciation	(6)	(5)	(133)	-	-	(144)
Assets provided for nil consideration	-	-	-	-	(174)	(174)
Carrying amount at 30 June	63	632	351	399	147	1 592

Asset movement reconciliation (continued)

2012	Plant and equipment $'000	Fixtures and fittings $'000	Computer equipment $'000	Works of art $'000	Capital works in progress $'000	Total $'000
Carrying amount at 1 July	14	519	298	399	1 371	2 601
Additions	11	-	107	-	267	385
Additions - transfers to (from) CWIP	-	-	-	-	(80)	(80)
Depreciation	(3)	(4)	(119)	-	-	(126)
Assets provided for nil consideration	-	-	-	-	(1 167)	(1 167)
Disposals	-	(2)	(2)	-	-	(4)
Carrying amount at 30 June	22	513	284	399	391	1 609

12. Payables

	2013 $'000	2012 $'000
Current:		
Creditors	24	30
Accrued expenses	65	56
Employee on-costs	65	64
Total current payables	154	150
Non-current:		
Employee on-costs	55	51
Total non-current payables	55	51
Total payables	209	201

Government/Non-government payables

Payables to SA Government entities:		
Creditors	10	15
Accrued expenses	40	21
Total payables to SA Government entities	50	36
Payables to non-SA Government entities:		
Creditors	14	15
Accrued expenses	25	35
Employee on-costs	120	115
Total payables to non-SA Government entities	159	165
Total payables	209	201

13. Employee benefits

Current:		
Annual leave	407	372
LSL	10	100
Skills and experience retention leave	17	-
Total current employee benefits	434	472
Non-current:		
LSL	994	929
Total non- current employee benefits	994	929
Total employee benefits	1 428	1 401

AASB 119 contains the calculation methodology for LSL liability. This year, an actuarial assessment performed by DTF was used to calculate the liability rather than using a shorthand measurement technique for the calculation of the liability.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has increased from 2012 (3%) to 2013 (3.75%).

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is immaterial. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

14. Provisions

	2013	2012
Current:	$'000	$'000
Provision for workers compensation	1	1
Total current provisions	1	1
Non-current:		
Provision for workers compensation	5	5
Total non-current provisions	5	5
Total provisions for workers compensation	6	6
Provision movement		
Carrying amount at 1 July	6	31
Additional provisions recognised	-	(25)
Carrying amount at 30 June	6	6

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on the actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

15. Unrecognised contractual commitments

Operating lease commitments

Commitments in relation to operating leases contracted at the reporting date but not recognised as liabilities are payable as follows:	2013 $'000	2012 $'000
Within one year	45	43
Later than one year but no longer than five years	115	160
Total operating lease commitments	160	203

The Legislative Council's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to four years with some leases having the right of renewal. Rent is payable in arrears.

16. Events after the reporting period

There have been no events after the reporting period.

17. Contingent assets and liabilities

The Legislative Council is not aware of any contingent assets or liabilities.

18. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department are the responsibility of the Joint Parliamentary Service.

19. Cash flow reconciliation

	2013	2012
Reconciliation of cash and cash equivalents at 30 June:	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	1 031	846
Balance as per the Statement of Cash Flows	1 031	846

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services

	2013	2012
Net cash provided by (used in) operating activities	486	500
Revenues from SA Government	(4 439)	(4 543)
Non-cash items:		
Depreciation	(144)	(126)
Gain (Loss) on sale or disposal of non-current assets	-	(4)
Assets provided for nil consideration	(174)	(1 167)
Members' salaries and allowances	(3 904)	(3 642)
Movements in assets/liabilities:		
Receivables	(16)	16
Payables	(8)	(41)
Employee benefits	(27)	(188)
Provisions	-	25
Net cost of providing services	(8 226)	(9 170)

20. Financial instruments/Financial risk management

20.1 Categorisation of financial instruments

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

		2013		2012	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	Note	$'000	$'000	$'000	$'000
Cash and cash equivalents:					
Cash and cash equivalents	9	1 031	1 031	846	846
Loans and receivables:					
Receivables[(1)(2)]	10	1	1	29	29
		1 032	1 032	875	875
Financial liabilities					
Financial liabilities at cost:					
Payables[(1)]	12	54	54	46	46
		54	54	46	46

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 10 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Credit risk

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

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

Liquidity risk

Liquidity risk arises where the Legislative Council is unable to meet its financial obligations as they are due to be settled. The Legislative Council is funded principally from appropriation by the SA Government. The Legislative Council 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. The Legislative Council 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 Legislative Council's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market risk

The Legislative Council has no market risk exposure to foreign currency or other price risks or interest rate risks.

Sensitivity disclosure analysis

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

Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Expenses:			
Employee benefits	4	5 632	5 600
Supplies and services	5	4 218	3 154
Depreciation	7	1 533	1 078
Net loss on disposal of non-current assets	11	100	35
Total expenses		11 483	9 867
Income:			
Assets acquired at nil consideration from House of Assembly	11	347	2 021
Assets acquired at nil consideration from Legislative Council	11	174	1 167
Net gain from disposal of non-current assets	11	-	4
Other income		24	37
Total income		545	3 229
Net cost of providing services		10 938	6 638
Revenues from SA Government	8	14 701	7 891
Net result		3 763	1 253
Total comprehensive result		3 763	1 253

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets:			
Cash and cash equivalents	9	-	2 122
Receivables	10	369	278
Total current assets		369	2 400
Non-current assets:			
Receivables	10	40	-
Property, plant and equipment	11	90 526	83 940
Total non-current assets		90 566	83 940
Total assets		90 935	86 340
Current liabilities:			
Payables	12	1 190	286
Employee benefits	13	676	640
Provisions	14	24	38
Total current liabilities		1 890	964
Non-current liabilities:			
Payables	12	71	76
Employee benefits	13	1 296	1 379
Provisions	14	105	111
Total non-current liabilities		1 472	1 566
Total liabilities		3 362	2 530
Net assets		87 573	83 810
Equity:			
Retained earnings		73 504	69 741
Revaluation surplus		14 069	14 069
Total equity		87 573	83 810
Unrecognised contractual commitments	15		
Contingent assets and liabilities	18		

Statement of Changes in Equity
for the year ended 30 June 2013

	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2011	14 069	68 488	82 557
Net result for 2011-12	-	1 253	1 253
Total comprehensive result 2011-12	-	1 253	1 253
Balance at 30 June 2012	14 069	69 741	83 810
Net result for 2012-13	-	3 763	3 763
Total comprehensive result 2012-13	-	3 763	3 763
Balance at 30 June 2013	14 069	73 504	87 573

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefits		(5 699)	(5 582)
Supplies and services		(4 402)	(3 729)
Cash used in operations		(10 101)	(9 311)
Cash inflows:			
GST recovered from ATO		950	385
Other income		26	40
Cash generated from operations		(976)	425
Cash flows from SA Government:			
Receipts from SA Government		14 701	7 891
Cash generated from SA Government		14 701	7 891
Net cash provided by (used in) operating activities	16	5 576	(995)
Cash flows from investing activities:			
Purchase of property, plant and equipment		(7 698)	(914)
Net cash provided by (used in) investing activities		(7 698)	(914)
Cash flows from financing activities:			
Repayment of finance lease		-	(8)
Net cash generated from financing activities		-	(8)
Net increase (decrease) in cash and cash equivalents		(2 122)	(1 917)
Cash and cash equivalents at 1 July		2 122	4 039
Cash and cash equivalents at 30 June	9	-	2 122

Notes to and forming part of the financial statements

1. Objective of the Joint Parliamentary Service

The Joint Parliamentary Service is established under the *Parliament (Joint Services) Act 1985*.

The Joint Parliamentary Service provides services to both Houses of Parliament including Hansard reporting, library facilities, catering, financial administration, and building accommodation. The Joint Parliamentary Service is administered by the Joint Parliamentary Service Committee which comprises the Speaker and two Members of the House of Assembly and the President and two Members of the Legislative Council. The Joint Parliamentary Service also administers the payment of Members' salaries. These payments are disclosed as administered items in note 20.

2. Summary of significant accounting policies

(a) Statement of compliance

The Joint Parliamentary Service has prepared these financial statements in compliance with section 23 of the PFAA.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and comply with TIs and APSs promulgated under the provision of the PFAA.

The Joint Parliamentary Service has applied AASs that are applicable to not-for-profit entities, as the Joint Parliamentary Service is a not-for-profit entity.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Joint Parliamentary Service for the reporting period ending 30 June 2013 (refer note 3).

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Joint Parliamentary Service's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in this financial report:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies
  - (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
  - (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented.

(c) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSs 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.

(d) Rounding

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

(e) Taxation

The Joint Parliamentary Service is not subject to income tax. The Joint Parliamentary Service is liable for payroll tax, FBT, 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.

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.

(f) Income

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

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

The following are specific recognition criteria:

Revenues from SA Government

Appropriations are recognised as revenues when the Joint Parliamentary Service obtains control over the funding. Control over appropriations is normally obtained upon receipt.

(g) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Joint Parliamentary Service 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

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

Superannuation
The amount charged to the Statement of Comprehensive Income represents the contributions made by the Joint Parliamentary Service to the superannuation plan in respect of current services of current Joint Parliamentary Service staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

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

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

Land is not depreciated.

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

Class of asset	*Useful life*
Buildings	100 years
Plant and equipment	5-30 years
Fixtures and fittings	3-10 years
Computer equipment	3-5 years

Joint Parliamentary Service estimate the remaining useful life of Parliament House to be 100 years ending in 2096.

The library collection controlled by the Joint Parliamentary Service is mainly a research and heritage collection. The majority of fixtures and fittings are antiques. The library collection and fixture and fittings antiques are anticipated to have a very long and indeterminate useful life.

The service potential of the collection has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.

Works of art controlled by the Joint Parliamentary Service are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.

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

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

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

Where asset line items combine amounts expected to be settled within 12 months and more than 12 months, the Joint Parliamentary Service has separately disclosed the amounts expected to be recovered after more than 12 months.

Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

Receivables
Receivables include amounts receivable from GST input tax credits recoverable, prepayments and accruals.

Receivables are generally settled within 30 days after the issue of an invoice.

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

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

All non-current tangible assets with a value equal to or in excess of $5000 are capitalised.

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

Buildings within which the House of Assembly and Legislative Council operate are recognised in the financial statements for the Joint Parliamentary Service.

Art work on loan from the Art Gallery of South Australia is not recognised in the financial statements.

Expenditure on assets not fully constructed at 30 June is disclosed separately as capital works in progress. Capital works in progress contributed by the House of Assembly and Legislative Council to the Joint Parliamentary Service once completed are recognised in the Statement of Comprehensive Income as an income in the period contributed.

Revaluation of non-current assets
All non-current tangible assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

Every five years, the Joint Parliamentary Service revalues its non-current assets. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

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

An independent valuation of the land, buildings, plant and equipment was conducted as at 30 June 2011 by Fred Taormina, BAppSc (Val), AAPI, Certified Practicing Valuer on behalf of Valcorp Pty Ltd. The valuation at 30 June 2011 was prepared on a fair value basis. The Valuer has determined that the value of the land where Old Parliament House is situated, is greater than the value with the building. Therefore, only the value of the land is recognised in these financial statements.

An independent valuation of the library collection and fixtures and fittings was conducted at 30 June 2011 by Mr Stephen Sinclair, a recognised expert in this industry. The valuation at 30 June 2011 was a desktop valuation that updated a previous valuation determined at 30 June 2006. The valuation was determined by grouping the library collection into categories. Those categories with an intrinsic value were determined at net market value. The remainder of the categories were determined at written down replacement cost.

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

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

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

Where liability line items combine amounts expected to be settled within 12 months and more than 12 months, the Joint Parliamentary Service has separately disclosed the amounts expected to be settled after more than 12 months.

Payables
Payables include creditors, accrued expenses, GST payable and employee on-costs.

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

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, 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, workers compensation and superannuation contributions in respect to outstanding liabilities for salaries and wages, LSL, annual leave and skills and experience retention leave.

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

Leases
The Joint Parliamentary Service leases office premises. Lease payments are increased annually in accordance with movements in the CPI.

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 asset.

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

- *Wages, salaries, annual leave, 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 skills and experience retention leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages, annual leave and skills and experience retention leave liability are payable later than 12 months, the liability will be measured at present value.

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

- *LSL*
  The liability for LSL 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 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 SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

  The unconditional portion of the LSL provision is classified as current as the Joint Parliamentary Service does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of LSL relates to an unconditional legal entitlement to payment arising after 10 years of service.

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

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2013 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Joint Parliamentary Service is responsible for the payment of workers compensation claims.

Insurance
The Joint Parliamentary Service has insured for risks through SAICORP, a division of SAFA.

Under these insurance arrangements the Joint Parliamentary Service will meet the first $5000 deductible of a loss or claim arising from property damage or civil liability (including public liability, products liability, professional indemnity and officers’ liability).

(k) Unrecognised contractual commitments and contingent assets and liabilities
Commitments include operating lease commitments arising from contractual or statutory sources and are disclosed at their nominal value.

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

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the 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 Joint Parliamentary Service did not voluntarily change any of its accounting policies during 2012-13.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Joint Parliamentary Service for the period ending 30 June 2013. The Joint Parliamentary Service 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 Joint Parliamentary Service.

4. Employee benefits

	2013	2012
	$'000	$'000
Salaries and wages	4 818	5 068
Employee on-costs - superannuation	542	538
Employee on-costs - other	265	289
Workers compensation	7	(295)
Total employee benefits	5 632	5 600

Employee remuneration	2013	2012
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
$134 000 - $137 999*	-	-
$138 000 - $147 999	-	1
$148 000 - $157 999	1	-
Total	1	1

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2011-12.

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 FBT paid or payable in respect of those benefits. The total remuneration received by these employees was $149 000 ($144 000).

5. Supplies and services

	2013	2012
Supplies and services provided by entities within the SA Government:	$'000	$'000
Building maintenance	301	245
Utilities	90	68
Cleaning	236	181
Minor works and equipment	892	-
Printing and publishing	284	484
Insurance	59	50
Information technology	14	23
Lease	48	47
Audit fees	78	75
Shared Services	88	80
Vehicle hire	28	27
Other	36	29
Total supplies and services - SA Government entities	2 154	1 309
Supplies and services provided by entities external to the SA Government:		
Building maintenance	172	133
Utilities	381	319
Cleaning	23	59
Minor works and equipment	105	180
Telephones	214	154
Information technology	719	524
Printing and publishing	13	30
Staff training and development	34	17
Agency staff hire	112	51
FBT	56	52
Consultants fees	23	71
OHSW compliance	28	10
Other	184	245
Total supplies and services - non-SA Government entities	2 064	1 845
Total supplies and services	4 218	3 154

The number and dollar amount of consultancies paid/payable (included in supplies and services expenses) that fell within the following bands:	2013 Number	2013 $'000	2012 Number	2012 $'000
Below $10 000	6	23	4	20
Between $10 000 and $50 000	-	-	2	51
Total paid/payable to consultants engaged	6	23	6	71

Not included in the above table are consultancies for $8000 which were capitalised.

6. Auditor's remuneration

	2013	2012
Audit fees paid/payable to the Auditor-General's Department relating	$'000	$'000
to the audit of the financial statements	78	75
Total auditor's remuneration	78	75

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

7. Depreciation

Buildings	485	485
Plant and equipment	47	35
Fixtures and fittings	18	18
Computer equipment	983	540
Total depreciation	1 533	1 078

8. Revenues from SA Government

Appropriations from Consolidated Account pursuant to the *Appropriation Act*	14 445	7 635
Transfers from contingencies	256	256
Total revenues from SA Government	14 701	7 891

9. Cash and cash equivalents

Deposits with the Treasurer	-	2 122
Total cash and cash equivalents	-	2 122

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

10. Receivables

	2013	2012
	$'000	$'000
Current:		
Receivables	289	185
Prepayments	72	83
Other	8	10
Total current receivables	369	278
Non-current:		
Prepayments	40	-
Total non-current receivables	40	-
Total receivables	409	278

11. Property, plant and equipment

Land:		
Independent valuation	26 675	26 675
Total land	26 675	26 675
Buildings:		
Independent valuation	48 530	48 530
Accumulated depreciation	(970)	(485)
Total buildings	47 560	48 045
Plant and equipment:		
Independent valuation	2 104	970
Accumulated depreciation	(238)	(214)
Total plant and equipment	1 866	756
Fixtures and fittings:		
Independent valuation	869	869
Accumulated depreciation	(36)	(18)
Total fixtures and fittings	833	851
Computing equipment:		
At cost (deemed fair value)	8 438	8 344
Accumulated depreciation	(4 501)	(3 519)
Total computing equipment	3 937	4 825
Library:		
Independent valuation	1 495	1 495
Total library	1 495	1 495
Capital work in progress:		
Capital work in progress	8 160	1 293
Total capital work in progress	8 160	1 293
Total property, plant and equipment	90 526	83 940

Valuation of assets

An independent valuation of the land, buildings, plant and equipment was conducted as at 30 June 2011 by Fred Taormina, BAppSc (Val), AAPI, Certified Practicing Valuer on behalf of Valcorp Pty Ltd. The valuation at 30 June 2011 was prepared on a fair value basis. The Valuer has determined that the value of the land where Old Parliament House is situated, is greater than the value with the building. Therefore, only the value of the land is recognised in these financial statements.

An independent valuation of the library collection and fixtures and fittings was conducted at 30 June 2011 by Mr Stephen Sinclair, a recognised expert in this industry. The valuation at 30 June 2011 was a desktop valuation that updated a previous valuation determined at 30 June 2006. The valuation was determined by grouping the library collection into categories. Those categories with an intrinsic value were determined at net market value. The remainder of the categories were determined at written down replacement cost.

Asset movement reconciliation

	Land	Buildings	Plant and equipment	Fixtures and fittings	Computer equipment	Works of art	Capital works in progress	Total
2013	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	26 675	48 045	756	851	4 825	1 495	1 293	83 940
Additions	-	-	-	-	103	-	7 595	7 698
Additions - transfers to (from CWIP)	-	-	1 249	-	-	-	(1 249)	-
Depreciation	-	(485)	(47)	(18)	(983)	-	-	(1 533)
Assets acquired at nil consideration	-	-	-	-	-	-	521	521
Disposals	-	-	(92)	-	(8)	-	-	(100)
Carrying amount at 30 June	26 675	47 560	1 866	833	3 937	1 495	8 160	90 526
2012								
Carrying amount at 1 July	26 675	48 531	785	869	2 084	1 495	508	80 947
Additions	-	-	14	-	120	-	831	965
Additions - transfers to (from CWIP)	-	-	-	-	3 188	-	(3 235)	(47)
Depreciation	-	(485)	(35)	(18)	(540)	-	-	(1 078)
Assets acquired at nil consideration	-	-	-	-	-	-	3 188	3 188
Disposals	-	-	(7)	-	(24)	-	-	(31)
Net loss from disposal of non-current assets	-	(1)	-	-	(3)	-	-	(4)
Other	-	-	(1)	-	-	-	1	-
Carrying amount at 30 June	26 675	48 045	756	851	4 825	1 495	1 293	83 940

12. Payables

	2013	2012
Current:	$'000	$'000
Creditors	68	82
Accrued expenses	1 035	119
Employee on-costs	87	85
Total current payables	1 190	286
Non-current:		
Employee on-costs	71	76
Total non-current payables	71	76
Total payables	1 261	362

Government/Non-government payables

	2013	2012
Payable to SA Government entities:		
Creditors	28	34
Accrued expenses	912	82
Employee on-costs	2	2
Total payables to SA Government entities	942	118
Payables to non-SA Government entities:		
Creditors	40	48
Accrued expenses	123	37
Employee on-costs	156	159
Total payables to non-SA Government entities	319	244
Total payables	1 261	362

13. Employee benefits

	2013	2012
Current:	$'000	$'000
Annual leave	476	472
LSL	150	150
Skills and experience retention leave	30	-
Accrued salaries and wages	20	18
Total current employee benefits	676	640
Non-current:		
LSL	1 296	1 379
Total non-current employee benefits	1 296	1 379
Total employee benefits	1 972	2 019

AASB 119 contains the calculation methodology for LSL liability. This year, an actuarial assessment performed by DTF was used to calculate the liability rather than using a shorthand measurement technique for the calculation of the liability.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has increased from 2012 (3%) to 2013 (3.75%).

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is immaterial. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

14. Provisions

	2013	2012
Current:	$'000	$'000
Provision for workers compensation	24	38
Total current provisions	24	38
Non-current:		
Provision for workers compensation	105	111
Total non-current provisions	105	111
Total provisions	129	149
Provision movement		
Carrying amount at 1 July	149	463
Additional provisions recognised	1	(285)
Reductions arising from payments	21	29
Carrying amount at 30 June	129	149

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on the actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

15. Unrecognised contractual commitments

Operating lease commitments

	2013	2012
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:	$'000	$'000
Within one year	43	41
Later than one year but not longer than five years	110	153
Total operating lease commitments	153	194

The Joint Parliamentary Service's operating leases are for office accommodation and equipment. The leases are non-cancellable with terms ranging up to four years with some leases having the right of renewal. Rent is payable in arrears.

Expenditure commitments - other	2013	2012
Other commitments contracted but not recognised as liabilities are payable as follows:	$'000	$'000
Within one year	59	169
Later than one year but no longer than five years	82	77
Total expenditure commitments - other	141	246

The Joint Parliamentary Service's other commitments are for agreements for computer and software related contracts.

16. Cash flow reconciliation

	2013	2012
Reconciliation of cash and cash equivalents at 30 June:	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	-	2 122
Balance as per the Statement of Cash Flows	-	2 122

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services

	2013	2012
Net cash provided by (used in) operating activities	5 576	(995)
Revenues from SA Government	(14 701)	(7 891)
Non-cash items:		
Depreciation expense of non-current assets	(1 533)	(1 078)
Gain (Loss) on sale or disposal of non-current assets	(100)	(31)
Assets acquired at nil consideration	521	3 188
Movements in assets/liabilities:		
Receivables	131	107
Payables	(899)	80
Employee benefits	47	(332)
Provisions	20	314
Net cost of providing services	(10 938)	(6 638)

17. Events after the reporting date

There have been no events after the reporting period.

18. Contingent assets and liabilities

The Joint Parliamentary Service is not aware of any contingent assets or liabilities.

19. Financial instruments/Financial risk management

19.1 Categorisation of financial instruments

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

		2013		2012	
Financial assets	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Cash and cash equivalents:					
Cash and cash equivalents	9	-	-	2 122	2 122
Loans and receivables:					
Receivables[(1)(2)]	10	297	297	195	195
		297	297	2 317	2 317
Financial liabilities					
Financial liabilities at cost:					
Payables[(1)]	12	981	981	73	73
		981	981	73	73

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 10 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Credit risk

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

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

Liquidity risk

Liquidity risk arises where the Joint Parliamentary Service is unable to meet its financial obligations as they are due to be settled. The Joint Parliamentary Service is funded principally from appropriation by the SA Government. The Joint Parliamentary Service 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. The Joint Parliamentary Service 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 Joint Parliamentary Service's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market risk

The Joint Parliamentary Service has no market risk exposure to foreign currency or other price risks or interest rate risks.

Sensitivity disclosure analysis

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

20. Administered items

The Joint Parliamentary Service administers the payment of Members' salaries funded by appropriations under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*.

Schedule of Administered Expenses and Income

	2013	2012
Administered expenses:	$'000	$'000
Members' salaries	11 000	10 174
Total administered expenses	11 000	10 174
Administered income:		
Recurrent appropriations	11 000	10 174
Total administered income	11 000	10 174
Net cost of providing services	-	-

Libraries Board of South Australia

Functional responsibility

Establishment

The Libraries Board of South Australia (the Board) is established pursuant to the *Libraries Act 1982* and is responsible for the administration of the State Library of South Australia and Public Library Services. For details of the Board's functions refer note 1 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA and section 19(3) of the *Libraries Act 1982* provide for the Auditor-General to audit the accounts of the Board for each financial year.

Assessment of controls

Section 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an opinion to be formed with respect to the financial report and internal controls.

During 2012-13, specific areas of audit attention included:

- revenue and cash
- expenditure
- employee expenses
- general ledger
- governance and financial compliance.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Libraries Board of South Australia as at 30 June 2013, 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.

Assessment of controls

In my opinion, the controls exercised by the Libraries Board of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for all matters outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Libraries Board of South Australia have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were raised in a management letter to the Director of the State Library and a response was received. The main matters communicated and the related responses are provided below.

In addition, matters relating to SSSA as a service provider to the Board are also described below.

Implementation of TIs 2 and 28

TIs 2 and 28 instituted new and revised financial management requirements for agencies from 2008-09. TI 2 requires agencies to document key financial policies and procedures. TI 28 also requires agencies to develop and maintain a financial management compliance program (FMCP) of review of relevant policies and procedures, internal controls and financial reporting.

Previous Reports have conveyed that the Board was relating with DPC (which provides business support) to assist with the implementation of the TI requirements. The 2012-13 audit found that no progress had been made in implementing the program. The Board advised Audit in September 2013 that it did not have the resources necessary to implement and maintain the FMCP used by DPC and that a methodology for progressing an FMCP appropriate to the size of the State Library and Public Library Services would be implemented.

Shared Services SA – CHRIS payroll control environment

SSSA processes payroll transactions specific to the CHRIS HRMS system on behalf of the Board in accordance with a service level determination with SSSA.

The audit of payroll transactions considered the payroll process and control environments of SSSA and the external bureau provider of the CHRIS HRMS payroll service to SSSA.

Review of the process and control environments in previous years has identified SSSA key control weaknesses covering segregation of duties and user access and certain security limitations of the CHRIS 5 application provided by the bureau service.

As SSSA implemented significant remediation action during the year, it was not effective throughout the entire year. As such the process and control environment could not be considered robust and effective for the 2012-13 financial year. Also the planned migration of payroll processing from CHRIS 5 to CHRIS 21, which would address security limitations, is yet to occur.

This matter is further discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report.

Shared Services SA – accounts payable and electronic payment control environments

SSSA operates an accounts payable function which involves the processing of transactions on behalf of the Board under a service level determination. The function involves the e-Procurement system for ordering, receiving and invoice processing; Masterpiece payment transaction processing and vendor masterfile processing; EFT and cheque payment processing; and Masterpiece general ledger maintenance.

While SSSA continues to progress significant remedial measures to address prior years' key control weaknesses certain actions are still required before the control environments can be considered to be robust and effective.

This matter is further discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report.

Other findings

Audit recommended measures to improve certain financial and control processes, notably:

- updating the risk register for the State Library of South Australia
- expanding the daily reconciliations of cash takings to include a reconciliation of over the counter library card credit sales to the credit recharge system
- implementing a control to ensure all changes to allocations in the system used for managing local libraries' material purchases have been independently reviewed for validity and accuracy.

The Board's response detailed action planned to address all the matters raised.

Interpretation and analysis of the financial report

Highlights of the financial report

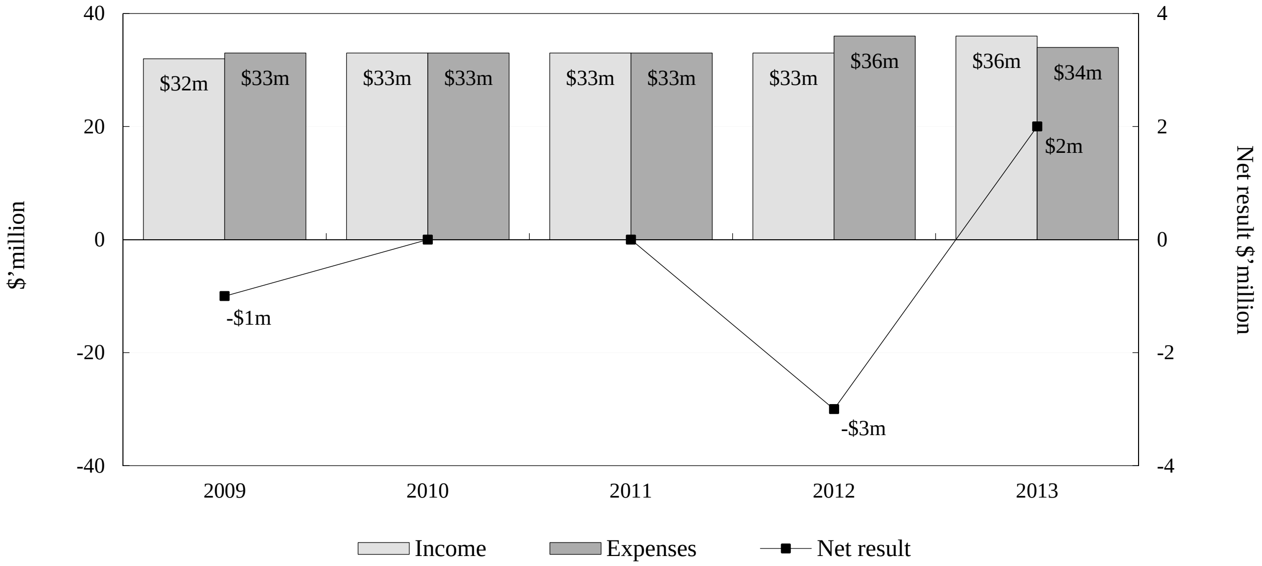
	2013 $'million	2012 $'million
Expenses		
Staff benefits	12	12
Subsidies to public libraries	13	12
Other expenses	9	12
Total expenses	34	36
Income		
State Government grants	34	31
Other income	2	2
Total income	36	33
Net result	2	(3)
Net cash provided by (used in) operating activities	3	2
Net cash provided by (used in) investing activities	(4)	-
Assets		
Current assets	8	8
Non-current assets	184	165
Total assets	192	173

	2013 $'million	2012 $'million
Liabilities		
Current liabilities	2	2
Non-current liabilities	3	3
Total liabilities	5	5
Total equity	187	168

Statement of Comprehensive Income

Net result

The following chart shows income, expenses and net results for the five years to 2013.



The chart shows that the level of activity has remained consistent over the five year period, except for 2012 when a $2.3 million loss on disposal of land and buildings transferred to the Minister for The Arts, was recorded. This loss was the main contribution to the significant deficit in 2012.

The main expenses are for salaries benefits of $11.7 million ($11.8 million) and subsidies to public libraries of $12.7 million ($12.3 million).

The Board is dependent on revenues from the SA Government which amounted to $33.9 million ($31 million) and represents 93% (92%) of total income.

Statement of Financial Position

Current assets

The Board's main current asset is cash deposits with the Treasurer of $7.3 million ($7.8 million), representing 89% (95%) of current assets.

Non-current assets

Total non-current assets of the Board amounted to $183.6 million ($164.9 million) comprising mainly research and heritage collections of $111 million ($110.5 million) and land, buildings and improvements of $62 million ($46.5 million), equating to 60% and 34% of total non-current assets respectively.

The increase in land, buildings and improvements of $15.5 million is due mainly to the revaluation of buildings and improvements upwards by $19 million and land downwards by $2.4 million as at 30 June 2013. The last valuation of land and buildings was in 2008. Primary consideration for the valuation of the buildings and improvements was the depreciated cost based on a modern equivalent replacement. The land component valuation was based on best available market evidence taking into consideration zoning restrictions. As the revaluation increment was for buildings and improvements with a useful life of 20 to 100 years, the increased values will increase the annual depreciation expense in future years.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2013.

	2013 $'million	2012 $'million	2011 $'million	2010 $'million
Net cash flows				
Operating	3	2	2	2
Investing	(4)	-	(1)	(1)
Change in cash	(1)	2	1	1
Cash at 30 June	7	8	6	5

Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Expenses:			
Staff benefits	4	11 695	11 812
Supplies and services	6	5 976	5 786
Accommodation and facilities	7	2 547	2 348
Depreciation and amortisation	8	1 613	1 569
Subsidies to public libraries		12 654	12 263
Net loss from disposal of non-current assets	9	1	2 426
Total expenses		34 486	36 204
Income:			
Fees and charges	10	473	383
Bequests and donations		208	53
Council contributions		102	114
Rent and facilities hire	11	393	296
Resources received free of charge	12	282	242
Interest and investment income	13	659	754
Recoveries	14	128	647
Other	15	168	207
Total income		2 413	2 696
Net cost of providing services		32 073	33 508
Revenues from (Payments to) SA Government:			
Recurrent operating grant		32 837	30 860
Capital grant		1 039	138
Total revenues from (payments to) SA Government		33 876	30 998
Net result		1 803	(2 510)
Other comprehensive income:			
Change in property, plant and equipment revaluation surplus	19	16 606	-
Total other comprehensive income		16 606	-
Total comprehensive result		18 409	(2 510)

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets:			
Cash	17	7 284	7 810
Receivables	18	927	376
Total current assets		8 211	8 186
Non-current assets:			
Receivables	18	14	-
Property, plant and equipment	19	65 453	48 628
Intangible assets	20	17	23
Research and heritage collections	21	111 035	110 486
Investments	22	7 086	5 805
Total non-current assets		183 605	164 942
Total assets		191 816	173 128
Current liabilities:			
Payables	23	1 179	866
Staff benefits	24	1 059	1 135
Provisions	25	30	29
Total current liabilities		2 268	2 030
Non-current liabilities:			
Payables	23	228	226
Staff benefits	24	2 472	2 432
Provisions	25	119	120
Other	26	10	10
Total non-current liabilities		2 829	2 788
Total liabilities		5 097	4 818
Net assets		186 719	168 310
Equity:			
Retained earnings		90 016	88 213
Revaluation surplus		96 703	80 097
Total equity		186 719	168 310

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	27
Contingent assets and liabilities	28

Statement of Changes in Equity
for the year ended 30 June 2013

	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2011	80 947	90 022	170 969
Prior period adjustment to equity	-	(149)	(149)
Restated balance at 30 June 2011	80 947	89 873	170 820
Net result for 2011-12	-	(2 448)	(2 448)
Prior period adjustment to equity	-	(62)	(62)
Total comprehensive result for 2011-12	-	(2 510)	(2 510)
Transfer between equity components	(850)	850	-
Balance at 30 June 2012	80 097	88 213	168 310
Net result for 2012-13	-	1 803	1 803
Loss on revaluation of land during 2012-13	(2 350)	-	(2 350)
Gain on revaluation of buildings during 2012-13	18 956	-	18 956
Total comprehensive result for 2012-13	16 606	1 803	18 409
Balance at 30 June 2013	96 703	90 016	186 719

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

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Staff benefits		(11 720)	(11 762)
Supplies and services		(5 766)	(5 392)
Accommodation and facilities		(2 547)	(2 286)
Subsidies to public libraries		(12 527)	(12 263)
Cash used in operations		(32 560)	(31 703)
Cash inflows:			
Fees and charges		429	470
Bequests and donations		189	10
Council contributions		107	114
Rent and facilities hire		364	296
Interest and investment income		691	754
Recoveries		120	647
Other		163	207
Cash generated from operations		2 063	2 498
Cash flows from SA Government:			
Recurrent operating grant		32 548	30 860
Capital grant		1 039	138
Cash generated from SA Government		33 587	30 998
Net cash provided by (used in) operating activities	29	3 090	1 793
Cash flows from investing activities:			
Cash outflows:			
Purchase of heritage collections		(582)	(440)
Purchase of investments		(1 682)	(1 000)
Purchase of property, plant and equipment		(1 654)	(144)
Purchase of land and buildings		(98)	(167)
Cash used in investing activities		(4 016)	(1 751)
Cash inflows:			
Proceeds from the sale/maturity of investments		400	1 390
Cash generated from investing activities		400	1 390
Net cash provided by (used in) investing activities		(3 616)	(361)
Net increase (decrease) in cash		(526)	1 432
Cash at 1 July		7 810	6 378
Cash at 30 June	29	7 284	7 810

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2013

	2013			2012		
(Activities - refer note 3)	1	2	Total	1	2	Total
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Staff benefits	9 597	2 098	11 695	9 384	2 428	11 812
Supplies and services	2 568	3 408	5 976	2 332	3 454	5 786
Accommodation and facilities	2 537	10	2 547	2 310	38	2 348
Depreciation and amortisation	1 593	20	1 613	1 545	24	1 569
Subsidies to public libraries	-	12 654	12 654	-	12 263	12 263
Net loss from the disposal of non-current assets	1	-	1	180	2 246	2 426
Total expenses	16 296	18 190	34 486	15 751	20 453	36 204
Income:						
Fees and charges	473	-	473	373	10	383
Bequests and donations	208	-	208	53	-	53
Council contributions	-	102	102	-	114	114
Rent and facilities hire	393	-	393	296	-	296
Resources received free of charge	280	2	282	240	2	242
Interest and investment income	552	107	659	602	152	754
Recoveries	104	24	128	87	560	647
Other	165	3	168	133	74	207
Total income	2 175	238	2 413	1 784	912	2 696
Net cost of providing services	14 121	17 952	32 073	13 967	19 541	33 508
Revenues from SA Government:						
Recurrent operating grant	14 764	18 073	32 837	13 203	17 657	30 860
Capital grant	1 039	-	1 039	138	-	138
Total revenues from SA Government	15 803	18 073	33 876	13 341	17 657	30 998
Net result	1 682	121	1 803	(626)	(1 884)	(2 510)

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2013

	2013			2012		
(Activities - refer note 3)	1	2	Total	1	2	Total
Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Assets	188 364	3 452	191 816	169 858	3 270	173 128
Total assets	188 364	3 452	191 816	169 858	3 270	173 128
Liabilities:						
Liabilities	4 211	886	5 097	4 030	788	4 818
Total liabilities	4 211	886	5 097	4 030	788	4 818

Notes to and forming part of the financial statements

1. Objectives of the Libraries Board of South Australia (the Board)

The Board is constituted pursuant to section 8 of the *Libraries Act 1982* (the Act). The Board is charged with the management of the State Library of South Australia and the public library services under the Act.

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

- formulate policies and guidelines for the provision of public library services
- establish, maintain and expand collections of library materials
- administer the State Library
- promote, encourage and assist in the establishment, operation and expansion of public libraries and public library services by councils and others.

2. Summary of significant accounting policies

2.1 Statement of compliance

The Board has prepared these financial statements in compliance with section 23 of the PFAA.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and comply with TIs and APSs promulgated under the provisions of the PFAA.

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

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2013. The Board has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Board.

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 Board's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in the financial statements:

  (a) income, 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 (as reported in the Statement of Comprehensive Income)

  (c) staff 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

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

2.2 Basis of preparation (continued)

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and comparative information presented for the year ended 30 June 2012.

2.3 Sources of funds

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

2.4 Income and expenses

Income and expenses are recognised in the Board's Statement of Comprehensive Income when and only when it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured. Income and expenses have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Income from fees and charges is derived from the provision of goods and services to other government agencies and to the public. This income is recognised upon the delivery of the goods or services to customers. Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend income is recognised when the right to receive a dividend has been established. Donations, bequests, grants and sponsorship are recognised as income in the period in which the Board obtains control over the income. Government grants and council contributions are recognised as income in the period in which the Board obtains control over the grants and the contributions.

Subsidies to public libraries

Public Library Services receives contributions from councils to purchase additional materials through the centralised purchasing system. The expenditure for these materials is recorded under subsidies to public libraries in the Statement of Comprehensive Income. The total amount received from councils for the year was $102 000 ($114 000).

Resources received free of charge

Resources received free of charge are recorded as income and expenditure in the Statement of Comprehensive Income at their fair value.

Under an arrangement with Arts SA and Artlab Australia, divisions of DPC, Artlab Australia receives SA Government appropriation to perform conservation services on the Board's research and heritage collections. The value of this work performed is recognised as resources received free of charge in income (note 12) and a corresponding amount included as conservation work expenditure in supplies and services (note 6).

Under an arrangement with the Services Division of DPC, financial services and human resources are provided free of charge to the Board. The value of these services is recognised as resources received free of charge in income (note 12) and a corresponding amount included as a business services charge in supplies and services (note 6).

2.5 Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. The Board has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.6 Cash

Cash in the Statement of Financial Position includes cash at bank and on hand.

For the purposes of the Statement of Cash Flows, cash is defined as above.

Cash is measured at nominal value.

Trust accounts

Public Library Services holds subsidy payments in trust for the Outback Communities Authority and Aboriginal Lands (Anangu Pitjantjatjara, Maralinga Tjarutja, Nepabunna, Gerard and Yalata). These funds are controlled by the Board and are recorded in the cash balance as at 30 June 2013. The total of these trust accounts is $34 000 ($232 000).

2.7 Receivables

Receivables include amounts receivable from trade debtors, prepayments and other accruals.

Trade receivables arise in the normal course of selling goods and services to the public and other government agencies. Trade receivables are generally settled within 30 days after the issue of an invoice, or the goods/services have been provided under a contractual arrangement.

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

2.8 Investments

Investments are brought to account at cost in accordance with APF IV, APS 2.1.

2.9 Non-current asset acquisition and recognition

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

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

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

2.10 Valuation of non-current assets

Revaluation of non-current assets

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

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

Any 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 the Statement of Comprehensive Income, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

Any revaluation decrement is recognised as an expense in the Statement of Comprehensive Income, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

Upon revaluation, the accumulated depreciation has been restated proportionately with the change in gross carrying amount of the asset so that the carrying amount, after revaluation, equals its revalued amount.

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

Revaluation land and buildings

An independent valuation of the land and buildings was conducted as at 30 June 2013 by Valcorp Australia Pty Ltd. The valuation of land and buildings as at 30 June 2013 was prepared on a fair value basis in accordance with AASB 116.

Revaluation land and buildings (continued)
Buildings were valued at written down current cost determined by its depreciated reproduction cost based on a modern equivalent replacement.

Land was valued at market selling rate for land with similar zoning restrictions.

Plant and equipment
Plant and equipment, including computer equipment and compactus and shelving, on acquisition has been deemed to be held at fair value.

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

Research and heritage collections
The Board's research and heritage collections were revalued as at 30 June 2011 using the valuation methodology outlined below.

The State Library of South Australia appointed Ty Noble, Director-General Valuations, Plant and Equipment, of the Australian Valuation Office (AVO) to undertake the valuation of all of the Library's collections as at 30 June 2011. All valuations were carried out by specialists employed by the AVO.

Collections were valued by applying a fair value average price based on a sampling of items and then applying this value to the number of items held.

Significant and unique objects were valued individually. Other collections were valued using the linear method of valuation. This method is based on an average cost per volume applied to the size of the collection. Sampling techniques were used to value other less significant elements of the heritage collection.

The fair value applied is represented by the quoted market price in an active and liquid market, where available, or is estimated by reference to the best available market evidence of the price such as current market prices for assets that are similar in use, type and condition or the price of the most recent transaction for the same or a similar asset. Where no market exists or market prices materially differ, the fair value is determined with reference to the asset's market buying price indicated by the replacement cost of the asset's remaining future economic benefits.

Valuations were carried out by the following recognised industry experts:

Rare books	J Burdon
Framed works	D Hyles
Published and archival collections	K Adam
Miscellaneous	I & M Armstrong
Archival collections (records groups)	J Thompson

Collections which have been valued are: rare and special collections, private records and artworks; the general collections - reference monographs, children's literature, maps, serials, newspapers, parliamentary publications, Australian Bureau of Statistics, electoral rolls, patents and named collections; published heritage collections - monographs, newspapers, serials, ephemera, audio visual, maps; archival collections - manuscript items, photographic collections, record group and oral history.

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

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

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

2.12 Depreciation and amortisation of non-current assets (continued)

Class of asset	*Useful life (years)*
Property, plant and equipment:	
Buildings and improvements	20-100
Plant and equipment	5-20
Computer equipment	3-5
Compactus and lifts	30
Intangibles	5

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

2.13 Payables

Payables include creditors, accrued expenses and staff on-costs.

Creditors and accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period. 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.

Staff on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, LSL, annual leave and skills and experience retention leave.

2.14 Staff benefits

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

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

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

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

The public sector skills and experience retention leave entitlement applies as from 1 July 2012 to public sector employees who have completed 15 or more years of effective service who are employed under the *Public Sector Act 2009*.

The skills and experience retention leave entitlement provides eligible employees up to two working days transitional entitlement for 2011-12, and up to two working days entitlement for 2012-13. Eligible employees are able to apply for and take the leave on or after 1 July 2013.

LSL

The liability for LSL 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 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 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.

On-costs

Staff benefit on-costs (payroll tax, workers compensation and superannuation) are recognised separately under payables.

Superannuation

Contributions are made by the Board to several superannuation schemes operated by the State Government and private sector. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. DTF centrally recognises the superannuation liability, for the schemes operated by the State Government, in the whole-of-government financial statements.

2.15 Workers compensation provision

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2013 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

2.16 Leases

The Board has entered into a number of operating lease agreements for accommodation and vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Comprehensive Income in the periods in which they are incurred.

2.17 Comparative information

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

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 to do so.

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

2.18 Taxation

The Board is not subject to income tax. The Board is liable for payroll tax, FBT, GST and Emergency Services levy.

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

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

2.19 State Government funding

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

2.20 Rounding

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

2.21 Insurance

The Board has arranged through SAICORP, a division of SAFA, insurance cover that insures all major risks of the Board. The excess payable is fixed under this arrangement.

2.22 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 ATO. If GST is not payable to, or recoverable from, the ATO the commitments and contingencies are disclosed on a gross basis.

3. Activities of the Board

The identity and purpose of each major activity undertaken by the Board during the year ended 30 June 2013 is summarised below (refer to the Disaggregated Disclosures Schedules - Expenses and Income and Assets and Liabilities).

Activity 1: ***Provision of State Library Services***
To provide, through the State Library of South Australia, a comprehensive library and information service for the economic, educational, cultural and social benefit of South Australia and its citizens.

Activity 2: ***Support of Public Library Services***
To provide through public library service and the distribution of State subsidies, an equitable and responsible provision of resources, support and services to public libraries and community information agencies.

4. Staff benefits

	2013	2012
	$'000	$'000
Salaries and wages	9 379	9 198
Annual leave	48	2
Board fees	100	110
Superannuation	1 079	1 097
LSL	183	505
Payroll tax	631	540
TVSP payments (refer below)	-	385
Other staff related expenses	275	(25)
Total staff benefits	11 695	11 812

Remuneration of staff

	2013	2012
The number of staff whose remuneration received or receivable falls within the following bands:	Number	Number
$148 000 - $157 999	-	1
$158 000 - $167 999	1	-
$178 000 - $187 999	1	1
$198 000 - $207 999	1	1
Total	3	3

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, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these staff for the year was $537 000 ($534 000).

TVSPs

	2013	2012
Amount paid to these staff:	$'000	$'000
TVSPs	-	385
Annual leave and LSL paid for the period	-	159
	-	544
Recovery from DTF	-	533
Net cost to the Board	-	11
Number of staff who were paid TVSPs during the reporting period	-	3

5. Remuneration of board members

Members that were entitled to receive remuneration for membership during the 2012-13 financial year were:

Libraries Board

Mr J Bruce (Chairman)
Mrs F Adler
Ms V Ciccarello
Ms H Nichols
Mr A Luckhurst-Smith
Mrs A Short
Ms L Spurling
Ms J Wisdom

	2013	2012
The number of board members whose remuneration received or receivable falls within the following bands:	Number	Number
$0 - $9 999	-	8
$10 000 - $19 999	8	4
$20 000 - $29 999	-	1
Total	8	13

5. Remuneration of board members (continued)

Remuneration of board members reflects all costs of performing board member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received by board members for the year was $109 000 ($118 000).

Amounts paid to superannuation plans for board members were $9000 ($8000).

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

6. Supplies and services

	2013 $'000	2012 $'000
Business services charge	165	144
Cataloguing and end processing	511	439
Communications	926	1075
Consultants' fees	22	88
Contractors	319	277
Electronic resources	315	384
Freight, courier, postage	693	402
Information technology	1 285	1 422
Insurance and risk management	171	147
Maintenance	183	161
Marketing and promotion	140	155
Minor equipment purchases and leasing	318	193
Preservation activities	195	179
Travel and accommodation	165	96
Other	568	624
Total supplies and services	5 976	5 786

Supplies and services provided by entities within the SA Government:		
Business services charge	165	144
Cataloguing and end processing	-	2
Communications	154	201
Information technology	47	2
Insurance and risk management	171	147
Maintenance	122	114
Marketing and promotion	6	2
Minor equipment purchases and leasing	23	1
Preservation activities	117	98
Travel and accommodation	2	-
Other	129	98
Total supplies and services - SA Government entities	936	809

Payments to consultants

The number and dollar amount of consultancies	2013		2012	
paid/payable that fell within the following bands:	Number	$'000	Number	$'000
Below $10 000	2	1	2	18
Between $10 000 - $50 000	1	21	-	-
Greater than $50 000	-	-	1	70
Total paid/payable to the consultants engaged	3	22	3	88

7. Accommodation and facilities

	2013 $'000	2012 $'000
Accommodation	1 204	1 021
Facilities	899	897
Security	444	430
Total accommodation and facilities	2 547	2 348

Accommodation and facilities provided by entities within the SA Government:		
Accommodation	410	402
Facilities	451	479
Security	1	1
Total accommodation and facilities - SA Government entities	862	882

8. Depreciation and amortisation

	2013 $'000	2012 $'000
Buildings and improvements	1 369	1 359
Compactus and lifts	77	76
Computer equipment	42	22
Intangibles	6	6
Plant and equipment	119	106
Total depreciation and amortisation	1 613	1 569

9. Net loss from disposal of non-current assets

Land and buildings:		
Proceeds from land and buildings	-	-
Net book value of land and buildings disposed*	-	(2 250)
Net loss from sale of land and buildings	-	(2 250)
Investments:		
Proceeds from the sale of investments	400	1 390
Net book value of investments disposed	(401)	(1 566)
Net loss on sale of investments	(1)	(176)
Total assets:		
Total proceeds from disposal	400	1 390
Total net book value of assets disposed	(401)	(3 816)
Total net loss from disposal of non-current assets	(1)	(2 426)

* The Board on 18 July 2011 approved the transfer of the Hindmarsh land and buildings to the Minister for The Arts.

10. Fees and charges

Fees for services	81	148
Lecturing services	191	66
Microfilming services	72	16
Photocopying services	65	72
Other fees and charges	64	81
Total fees and charges	473	383
Fees and charges received/receivable from entities within the SA Government:		
Fees for services	38	112
Other fees and charges	7	8
Total fees and charges - SA Government entities	45	120

11. Rent and facilities hire

Rent and facilities hire SA Government	176	131
Rent and facilities hire external to SA Government	217	165
Total rent and facilities hire	393	296

12. Resources received free of charge

Resources received free of charge from entities within the SA Government:		
Conservation services	117	98
Business services	165	144
Total resources received free of charge	282	242

13. Interest and investment income

Interest from entities within the SA Government	220	349
Interest and investment income from entities external to the SA Government	439	405
Total interest and investment income	659	754

14. Recoveries revenue

Recoveries revenue from entities within the SA Government	34	567
Recoveries revenue from entities external to the SA Government	94	80
Total recoveries revenue	128	647

15. Other income

	2013 $'000	2012 $'000
Salary recoups	44	95
Other receipts	124	112
Total other income	168	207
Other income received/receivable from entities within the SA Government:		
Salary recoups	27	91
Other receipts	42	56
Total other income - SA Government entities	69	147

16. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	45	39
Total audit fees - SA Government entities	45	39

Other services

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

17. Cash

Deposits with the Treasurer	7 276	7 802
Cash on hand	8	8
Total cash	7 284	7 810

Deposits with the Treasurer

Deposits with the Treasurer are funds held in the Libraries Board of South Australia Account, an account held with the Treasurer of South Australia pursuant to section 21 of the PFAA and funds held in the Premier and Cabinet Operating Account, an account held with the Treasurer of South Australia pursuant to section 8 of the PFAA.

Cash on hand

Cash on hand includes petty cash, floats, change machines and an advance account.

Interest rate risk

Cash is recorded at nominal value. Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Board are held in a section 21 interest bearing account titled 'Libraries Board of South Australia Account'. In 2012-13 deposits with the Treasurer were bearing a floating interest rate between 2.79% and 3.36% (3.93% and 4.6%).

18. Receivables

	2013 $'000	2012 $'000
Current:		
Prepayments	350	123
Receivables	160	93
Accrued income	417	160
Total receivables	927	376
Non-current:		
Prepayments	11	-
Receivables	3	-
Total non-current receivables	14	-
Total receivables	941	376
Receivables from SA Government entities:		
Prepayments	-	20
Receivables	54	23
Accrued income	307	25
Total receivables - SA Government entities	361	68

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 income are non-interest bearing.

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

Interest rate and credit risk (continued)

(a) Maturity analysis of receivables - refer note 30.

(b) Categorisation of financial instruments and risk exposure information - refer note 30.

19. Property, plant and equipment

	2013	2012
Land, buildings and improvements:	$'000	$'000
Land at valuation	4 150	6 500
Buildings and improvements at valuation	111 479	67 342
Accumulated depreciation	(53 612)	(27 361)
Total land, buildings and improvements	62 017	46 481
Work in progress:		
Work in progress at cost	967	-
Total work in progress	967	-
Compactus and lifts:		
Compactus and lifts at cost (deemed fair value)	2 411	2 384
Accumulated depreciation	(772)	(696)
Total compactus and lifts	1 639	1 688
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	2 072	1 658
Accumulated depreciation	(1 439)	(1 320)
Total plant and equipment	633	338
Computer equipment:		
Computer equipment at cost (deemed fair value)	768	667
Accumulated depreciation	(571)	(546)
Total computer equipment	197	121
Total property, plant and equipment	65 453	48 628

Valuation of non-current assets

An independent valuation of the land and buildings was conducted as at 30 June 2013 by Valcorp Australia Pty Ltd. The valuation of land and buildings at 30 June 2013 was prepared on a fair value basis in accordance with AASB 116.

All other non-current assets have been deemed to be held at fair value.

Impairment

There were no indications of impairment of property, plant and equipment as at 30 June 2013.

Movement reconciliation of property, plant and equipment

2013	Land $'000	Buildings & imprvmnts $'000	Works in progress $'000	Compactus and lifts $'000	Plant and equipment $'000
Carrying amount at 1 July	6 500	39 981	-	1 688	338
Additions	-	126	1 140	28	414
Depreciation and amortisation	-	(1 369)	-	(77)	(119)
Transfers from capital work in progress	-	173	(173)	-	-
Revaluation increment (decrement)	(2 350)	18 956	-	-	-
Carrying amount at 30 June	4 150	57 867	967	1 639	633

	Computer equipment $'000	Tangible assets total $'000	Computer software $'000	Intangible assets total $'000
Carrying amount at 1 July	121	48 628	23	23
Additions	118	1 826	-	-
Depreciation and amortisation	(42)	(1 607)	(6)	(6)
Disposals	-	-	-	-
Transfers from capital work in progress	-	-	-	-
Revaluation increment (decrement)	-	16 606	-	-
Carrying amount at 30 June	197	65 453	17	17

Movement reconciliation of property, plant and equipment (continued)

2012	Land $'000	Buildings & imprvmnts $'000	Works in progress $'000	Compactus and lifts $'000	Plant and equipment $'000
Carrying amount at 1 July	7 900	42 019	-	1 759	365
Additions	-	167	-	5	83
Depreciation and amortisation	-	(1 359)	-	(76)	(106)
Disposals	(1 400)	(846)	-	-	(4)
Carrying amount at 30 June	6 500	39 981	-	1 688	338

	Computer equipment $'000	Tangible assets total $'000	Computer software $'000	Intangible assets total $'000
Carrying amount at 1 July	33	52 076	29	29
Additions	110	365	-	-
Depreciation and amortisation	(22)	(1 563)	(6)	(6)
Disposals	-	(2 250)	-	-
Carrying amount at 30 June	121	48 628	23	23

20. Intangible assets

	2013 $'000	2012 $'000
Intangibles:		
Computer software	44	44
Accumulated amortisation	(27)	(21)
Total intangibles	17	23

21. Research and heritage collections

	2013			2012		
	At valuation $'000	At cost $'000	Total $'000	At valuation $'000	At cost $'000	Total $'000
Family history collection	-	2	2	-	1	1
Maps	760	9	769	760	7	767
Microfilm serials	1 584	57	1 641	1 584	43	1 627
Monographs	14 258	281	14 539	14 258	101	14 359
Mortlock audiovisual	2 135	29	2 164	2 135	23	2 158
Mortlock use collections	2 141	47	2 188	2 141	21	2 162
Newspapers purchased	281	168	449	281	90	371
Periodicals	2 995	265	3 260	2 995	144	3 139
Private archives	65 301	57	65 358	65 301	26	65 327
Purchased databases	-	100	100	-	27	27
Rare books and named collections	20 529	36	20 565	20 529	19	20 548
Total research and heritage collections	109 984	1 051	111 035	109 984	502	110 486

The valuation of the research and heritage collections was performed by the AVO as at 30 June 2011.

Reconciliation of carrying amounts of research and heritage collections

	Balance 01.07.12 $'000	Additions $'000	Balance 30.06.13 $'000	Balance 01.07.11 $'000	Additions $'000	Revaluation increment (decrement) $'000	Balance 30.06.12 $'000
Family history collection	1	1	2	-	1	-	1
Maps	767	2	769	760	7	-	767
Microfilm serials	1 627	14	1 641	1 584	43	-	1 627
Monographs	14 359	180	14 539	14 258	101	-	14 359
Mortlock audiovisual	2 158	6	2 164	2 135	23	-	2 158
Mortlock use collections	2 162	26	2 188	2 141	21	-	2 162
Newspapers purchased	371	78	449	281	90	-	371
Periodicals	3 139	121	3 260	2 995	144	-	3 139
Private archives	65 327	31	65 358	65 301	26	-	65 327
Purchased databases	27	73	100	19	8	-	27
Rare books and named collections	20 548	17	20 565	20 529	19	-	20 548
Total carrying amounts of research and heritage collections	110 486	549	111 035	110 003	483	-	110 486

22. Investments

	2013	2012
Non-current:	$'000	$'000
Shares and other direct investments in companies	7 086	5 805
Unit trusts	-	-
Total non-current investments	7 086	5 805
Total investments	7 086	5 805

The market value of investments as at 30 June is $7.4 million ($5.3 million).

23. Payables

	2013	2012
Current:		
Creditors and accruals	1 038	724
Staff on-costs	141	142
Total current payables	1 179	866
Non-current:		
Staff on-costs	228	226
Total non-current payables	228	226
Total payables	1 407	1 092
Payables to SA Government entities:		
Creditors and accruals	297	292
Staff on-costs	184	177
Total payables - SA Government entities	481	469

An actuarial assessment performed by DTF determined that the percentage of the proportion of LSL taken as leave remains unchanged from the 2012 rate of 40%, and the average factor for the calculation of employer superannuation on-cost is 10.2% (10.3%). These rates are used in the employment on-cost calculation.

The financial effect of the change in superannuation on-cost on employment on-costs and employee benefit expense is immaterial.

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Staff on-costs are settled when the respective staff 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.

(a) Maturity analysis of payables - refer note 30.
(b) Categorisation of financial instruments and risk exposure information - refer note 30.

24. Staff benefits

	2013	2012
Current:	$'000	$'000
Annual leave	584	547
LSL	382	588
Skills and experience retention leave	93	-
Total current staff benefits	1 059	1 135
Non-current:		
LSL	2 472	2 432
Total non-current staff benefits	2 472	2 432
Total staff benefits	3 531	3 567

AASB 119 contains the calculation methodology for LSL liability. This year, an actuarial assessment performed by DTF was used to calculate the liability rather than using a shorthand measurement technique for calculating the liability.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has increased from 2012 (3%) to 2013 (3.75%).

24. Staff benefits (continued)

This increase in the bond yield, which is used as the rate to discount future LSL cash flows, results in a decrease in the reported LSL liability.

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is a decrease in the LSL liability of $194 000 and staff benefits expense of $194 000. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of factors and assumptions - key assumption being the long-term discount rate.

The salary inflation rate applied to annual leave remains constant at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

25. Provisions

	2013	2012
Current:	$'000	$'000
Provision for workers compensation	30	29
Total current provisions	30	29
Non-current:		
Provision for workers compensation	119	120
Total non-current provisions	119	120
Total provisions	149	149
Carrying amount at 1 July	149	304
Increase (Decrease) in provision recognised	-	(155)
Carrying amount at 30 June	149	149

26. Other liabilities

Non-current:		
Contractual security deposit	10	10
Total non-current other liabilities	10	10
Total other liabilities	10	10

27. Unrecognised contractual commitments

Operating lease commitments

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial statements are payable as follows:

Not later than one year	24	29
Later than one year and not later than five years	11	16
Total operating lease commitments	35	45

The operating lease commitments comprise:

- a non-cancellable property lease with rental payable monthly in advance. A contingent rental provision within the lease agreement requires the minimum lease payment to be increased by CPI
- non-cancellable motor vehicle leases, with rentals payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.

Public libraries commitments

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

	2013	2012
	$'000	$'000
Not later than one year	1 416	1 387
Total public libraries commitments	1 416	1 387

Remuneration commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

Remuneration commitments (continued)	2013	2012
	$'000	$'000
Not later than one year	387	778
Later than one year and not later than five years	192	1 038
Total remuneration commitments	579	1 816

Amounts disclosed include commitments arising from executive and other service contracts. The Board does not offer remuneration contracts greater than five years.

Other commitments

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

Not later than one year	1 736	1 858
Later than one year and not later than five years	1 507	1 381
Total other commitments	3 243	3 239

28. Contingent assets and liabilities

The Board is not aware of any contingent assets or liabilities as at 30 June 2013.

29. Cash flow reconciliation

Reconciliation of cash at 30 June:

Cash as disclosed in the Statement of Financial Position	7 284	7 810
Balance as per Statement of Cash Flows	7 284	7 810

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services

Net cash provided by (used in) operating activities	3 090	1 793
Revenues from SA Government	(33 876)	(30 998)
Non-cash items:		
Amortisation of intangibles	(6)	(6)
Depreciation of property, plant and equipment	(1 607)	(1 563)
Donations of heritage assets	20	43
Loss on sale of investments	(1)	(175)
Loss on sale of plant and equipment	-	(2 251)
Movements in assets/liabilities:		
Receivables	460	(181)
Payables	(189)	(152)
Staff benefits	36	(174)
Provisions	-	155
Other liabilities	-	1
Net cost of providing services	(32 073)	(33 508)

30. Financial instruments/Financial risk management

30.1 Categorisation of financial instruments

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

		2013		2012	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents:					
Cash	17	7 284	7 284	7 810	7 810
Loans and receivables:					
Receivables(1)(2)	18	580	580	253	253
Available-for-sale financial assets:					
Investments	22	7 086	7 408	5 805	5 292
Financial liabilities					
Financial liabilities at cost:					
Payables(1)	23	993	993	685	685
Other	26	10	10	10	10

30.1 Categorisation of financial instruments (continued)

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, audit receivables/ payables etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for staff on-costs, which are determined via reference to the staff benefit liability to which they relate.

(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 benefits of these assets is in the receipt of goods and services rather than the right to receive cash or another financial asset.

Foreign currency risk

Foreign currency risk arises from changes in the value of assets and liabilities denominated in foreign currency as exchange rates fluctuate.

The Board is exposed to currency risk on purchases of books and materials made, in currencies other than Australian dollars. The Board does not hedge any future foreign currency purchases when contracted.

Credit risk

Credit risk arises when there is the possibility of the Board's debtors defaulting on their contractual obligations resulting in financial loss to the Board. The Board 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 30.1 represents the Board's maximum exposure to credit risk.

The Board has minimal concentration of credit risk. The Board has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Board 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 Board does not hold any collateral as security for any of its financial assets. There is no evidence to indicate that the financial assets are impaired.

30.2 Ageing analysis of financial assets

The following table discloses the ageing of financial assets past due:

	Past due by			
2013	Overdue for less than 30 days $'000	Overdue for 30-60 days $'000	Overdue for more than 60 days $'000	Total $'000
Not impaired:				
Receivables	1	1	3	5
2012				
Not impaired:				
Receivables	4	7	6	17

30.3 Maturity analysis of financial assets and liabilities

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

		Contractual maturities		
2013	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	$'000	$'000	$'000	$'000
Cash	7 284	7 284	-	-
Receivables	580	577	3	-
Investments	7 086	-	-	7 086
Total financial assets	14 950	7 861	3	7 086

30.3 Maturity analysis of financial assets and liabilities (continued)

		Contractual maturities		
	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial liabilities:	$'000	$'000	$'000	$'000
Payables	993	993	-	-
Other	10	-	10	-
Total financial liabilities	1 003	993	10	-
2012				
Financial assets:				
Cash	7 810	7 810	-	-
Receivables	253	253	-	-
Investments	5 805	-	-	5 805
Total financial assets	13 868	8 063	-	5 805
Financial liabilities:				
Payables	685	685	-	-
Other	10	-	10	-
Total financial liabilities	695	685	10	-

Liquidity risk

Liquidity risk arises when the Board is unable to meet its financial obligations as they are due to be settled. The Board is funded principally from grants from the SA Government. The Board 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. The Board 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 Board exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in note 30.1 represents the Board's maximum exposure to financial liabilities.

31. Events after balance date

There has not arisen in the interval between the end of the financial year and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the members of the Board, to affect significantly the operations of the Board, the results of those operations, or the state of affairs of the Board in subsequent financial years.

Local Government Finance Authority of South Australia

Functional responsibility

Establishment

The Local Government Finance Authority of South Australia (the Authority), a body corporate, was established under the *Local Government Finance Authority Act 1983* (the LGFA Act). It is managed and administered by a Board of Trustees.

Functions

The main functions of the Authority are to develop and implement borrowing and investment programs for the benefit of councils and prescribed local government bodies. For more information about the Authority's functions refer note 1 to the financial statements.

Guarantee by the Treasurer

Liabilities incurred or assumed by the Authority in pursuance of the LGFA Act are guaranteed by the Treasurer under section 24(1) of the LGFA Act. As a result of this guarantee the Authority pays an annual guarantee fee to the Treasurer.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of a public authority. In addition, section 33(2) of the LGFA Act specifically provides for the Auditor-General to audit the accounts of the Authority in respect of each financial year.

Assessment of controls

Section 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2012-13, areas of review included:

- investments
- borrowings
- deposits
- derivatives
- payroll
- creditor account payment performance
- bonus payments to councils and local government bodies

To comply with TIs 2 and 28 the Authority engages external parties to execute a financial management compliance program. The financial management compliance program checked compliance with documented policies, procedures and internal controls.

The financial management compliance program executed by the external parties for 2012-13 was considered and reviewed to assist in the planning, conduct and assessment of specific areas of the audit review of the Authority's operations.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Local Government Finance Authority of South Australia as at 30 June 2013, 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.

Assessment of controls

In my opinion, the controls exercised by the Local Government Finance Authority of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to submission and tabling of 2011-12 annual report, delegation of powers for fundraising and creditor account payment performance as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Local Government Finance Authority of South Australia have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit of the Authority were detailed in a management letter to the officers responsible for governance of the Authority. The main matters raised with the Authority and the related responses are described below.

Implementation of TI 2

To comply with TI 2 external parties were engaged to document process maps that specify required financial controls covering income, expenditure, assets and liabilities. While the process maps were reviewed by management and placed on the Authority's intranet, they were yet to be formally adopted by the Authority. Audit recommended that the Chief Executive Officer formally adopt the process maps and advise the Audit Committee and staff of this approval.

In response the Authority advised the Chief Executive Officer has formally approved the process maps and the Audit Committee accepted the approved maps at its August 2013 meeting. In addition, staff have been advised that compliance with policies and procedures, as documented in the process maps, is mandatory.

Implementation of TI 28

Last year a number of matters were identified by the external parties engaged to undertake the financial management compliance program. Audit noted that many of these matters were addressed in 2012-13 and the Authority had planned to address the remaining matters. The 2012-13 financial management compliance program work identified no new matters.

Submission and tabling of 2011-12 annual report

The LGFA Act requires the Authority to submit its annual report to the Minister by 30 September each year and the Minister to table the report in Parliament within 12 sitting days of the Minister receiving the report.

While the 2011-12 annual report is accessible on the Authority's internet site, Audit noted that, as at July 2013, the report had yet to be submitted to the Minister for tabling in Parliament.

In response the Authority advised failure to submit the 2011-12 annual report to the Minister was due to management oversight after a staff restructure. A hard copy of the report has now been delivered to the Minister and a number of checks have been established to ensure future annual reports are delivered to the Minister by 30 September.

Delegation of powers for fundraising

The Authority's 'Delegation of Powers - Part E - Fundraising' approved in May 2013 specifies that borrowings must be consistent with the current financing strategy approved by the Board and with the Treasurer's approval for financial arrangements.

Audit noted that the Authority does not have a board approved current financing strategy.

In response the Authority advised a financing strategy will be drafted and submitted to the Board for consideration and approval at the October 2013 Board meeting.

Creditor account payment performance

TI 11 prescribes the policy for creditor account payments, including the development of relevant policies and procedures and the preparation of monthly reports to the Board on account payment performance.

The audit noted:

- the need to update policies and procedures for TI 11 requirements
- monthly reports did not provide the information required by TI 11
- reports for December 2012 to February 2013 were not submitted to the Board.

In response the Authority advised:

- the Authority's policies and procedures were updated to reflect TI 11 requirements
- the report format has been revised to meet the information requirements of TI 11
- monthly reports will be submitted to the Board within the timeframe specified in TI 11.

Interpretation and analysis of the financial report

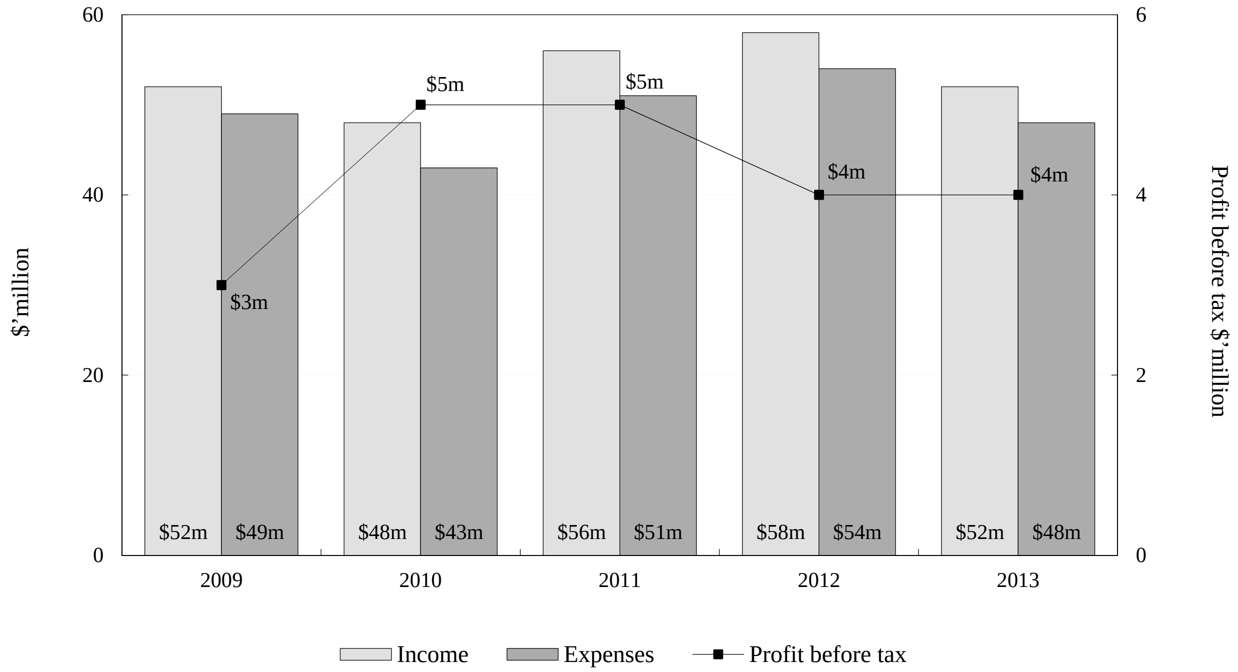
The analysis that follows is based on the financial information recorded within the financial report.

Highlights of the financial report	2013 $'million	2012 $'million
Income		
Interest and other income	52	58
Expenses		
Interest expense	45	51
Guarantee fee and administration expenses	3	3
Total expenses	48	54
Profit before income tax equivalents	4	4
Income tax equivalents	1	1
Total comprehensive result	3	3

	2013 $'million	2012 $'million
Net cash provided by (used in) operating activities	3	3
Assets		
Net loans and advances	630	630
Other assets	89	45
Total assets	719	675
Liabilities		
Deposits and borrowings	628	575
Other liabilities	34	45
Total liabilities	662	620
Total equity	57	55

Statement of Comprehensive Income

The following chart shows the income, expenses and profit before income tax expense for the five years to 2013.



Income

As the Authority is a financial institution servicing local government, its main operating revenue is interest income with other income being insignificant.

Interest income from loans and advances decreased by $6.1 million from the previous year reflecting:

- a $5.2 million decrease in interest rate swap interest due to lower interest rates offset by higher average daily loan balances
- a $752 000 decrease in cash advance interest due to lower interest rates offset by higher average daily cash advances.

Interest income from investments fell by $470 000 to $2.3 million due to lower daily investment balances and interest rates.

Expenses

The Authority's main operating expense is interest expense with guarantee fees and administration expenses being less significant.

Interest expense decreased by $6.5 million from the previous year due mainly to:

- a $3.4 million decrease in short-term borrowing interest due to lower average daily borrowings and interest rates
- a $2.6 million decrease in deposit interest due to lower interest rates offset by higher average daily deposits.

Profit before tax

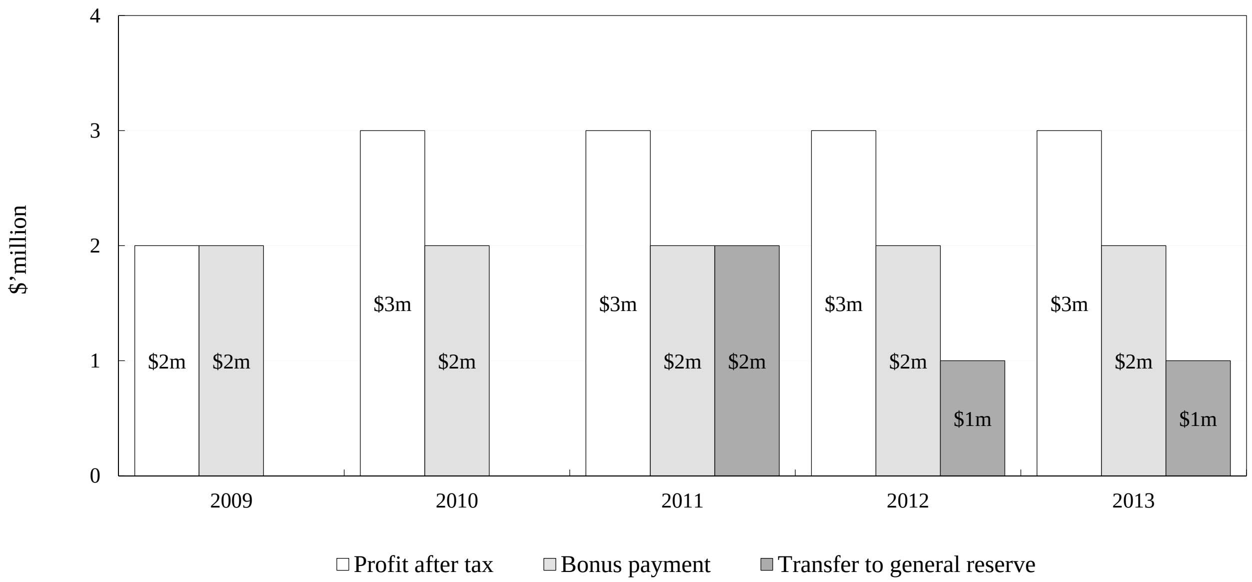
Profit before tax increased by $578 000 to $4.4 million. Interest income and interest expense decreased by similar amounts in 2013 causing little impact on profit. The increase in profit mainly resulted from revaluations of impaired available-for-sale assets and fair value hedges. The sensitivity of profit to interest rate movements is disclosed in note 23 to the financial statements.

Tax equivalent payments

The Authority is required to make payments equivalent to company income tax under the taxation equivalent payments system. The amounts are paid into an account established with the State Treasurer titled 'Local Government Taxation Equivalents Fund'. The funds are available for local government development purposes as recommended by the Local Government Association of South Australia and agreed by the Minister for State/Local Government Relations in accordance with section 31A of the LGFA Act. For this financial year, the amount payable for income tax equivalent was $1.3 million.

Net profit and distributions

In 2013 the Authority achieved a profit after tax of $3 million ($2.6 million) which was available for distribution or transfer to a general reserve. The profit and principal distributions for the past five years are presented in the following chart.



Under section 22(2) of the LGFA Act, the Authority has discretion to make distributions from the surplus for the year to councils and local government bodies. These distributions are recorded as bonus payments in the financial report. In 2013 the Authority provided $1.7 million ($1.7 million) for bonus payments.

The Authority also made a transfer to a general reserve of $1.3 million ($1 million).

Statement of Financial Position

Assets and liabilities

The Statement of Financial Position shows net assets of $56.8 million ($55.5 million).

Total assets increased by $43.6 million from the previous year due mainly to:

- a $42.3 million increase in investment securities
- a $2.1 million increase in property, plant and equipment, of which $1.8 million relates to the acquisition of office building floor space (refer note 11 to the financial statements)
- a $218 000 decrease in loans and advances, comprising an increase of $28.9 million in advances offset by an $18.4 million reduction in term loans and a net movement in the fair value adjustment for certain hedged loan assets of $10.7 million (refer note 10 to the financial statements).

Total liabilities increased by $42.3 million from the previous year due mainly to:

- a $32.2 million increase in deposits from customers
- a $21.3 million increase in borrowings
    - a $10.6 million decrease in derivatives, due mainly to a net movement in the fair value adjustment for derivative liabilities of $10.7 million (refer note 15 to the financial statements).

Asset quality

The Authority predominantly lends to councils and local government bodies on a secured basis. The security is by debentures providing a charge over the council's general revenue. Notes 2(g) and 23(c) to the financial statements explain the details.

The Authority has not experienced defaults or losses associated with those loans. Consequently there is no provision for doubtful debts against the assets.

Liabilities of the Authority

The Authority funds loans to customers via customer deposits, borrowings or from its own accumulated reserves.

To mitigate interest rate risk the Authority hedges its interest rate exposures using interest rate swap agreements and futures contracts. Note 23(b)(i) to the financial statements refers to interest rate risk management of the Authority.

Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Income:			
Interest on investments	2(c)	2 274	2 744
Interest on loans and advances	2(c)	49 280	55 366
Other income	2(f),2(h),3	598	155
Total income		52 152	58 265
Expenses:			
Interest on deposits from councils and local government bodies	2(d)	15 313	17 866
Interest on borrowings	2(d)	29 410	33 347
Fees for the guarantee of the Treasurer of South Australia on liabilities	24	1 135	1 113
Administration expenses	4	1 944	1 750
Other expenses	2(f),2(h),5	-	417
Total expenses		47 802	54 493
Profit before income tax equivalents		4 350	3 772
Income tax equivalent expense	2(e)	1 305	1 132
Profit after income tax equivalents		3 045	2 640
Total comprehensive result		3 045	2 640

Profit after income tax equivalents and total comprehensive result are attributable to the owners

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Assets:			
Cash and liquid assets	6	7	-
Accrued interest receivable	7	3 743	4 276
Investment securities	2(f),8	82 790	40 526
Other assets	9	111	92
Net loans and advances	2(g),10	629 988	630 206
Property, plant and equipment	2(j),11	2 336	275
Total assets		718 975	675 375
Liabilities:			
Deposits from councils and local government bodies	2(k),12	428 315	396 149
Accrued interest payable	13	3 800	4 651
Borrowings	14	200 002	178 745
Derivatives	2(i),15	27 078	37 660
Provisions	2(l),16	2 757	2 471
Other liabilities	17	237	218
Total liabilities		662 189	619 894
Net assets		56 786	55 481
Equity:			
General reserve	2(m)	56 300	55 000
Retained profits		486	481
Total equity		56 786	55 481
Total equity is attributable to the owners			
Contingent assets and liabilities	22		

Statement of Changes in Equity
for the year ended 30 June 2013

	General reserve $'000	Retained profits $'000	Total $'000
Balance at 30 June 2011	54 000	581	54 581
Profit after income tax equivalents for 2011-12	-	2 640	2 640
Total comprehensive result for 2011-12	-	2 640	2 640
Transfer to bonus payment provision	-	(1 740)	(1 740)
Transfer to general reserve	1 000	(1 000)	-
Balance at 30 June 2012	55 000	481	55 481
Profit after income tax equivalents for 2012-13	-	3 045	3 045
Total comprehensive result for 2012-13	-	3 045	3 045
Transfer to bonus payment provision	-	(1 740)	(1 740)
Transfer to general reserve	1 300	(1 300)	-
Balance at 30 June 2013	56 300	486	56 786

All changes in equity are attributable to the owners

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Interest and bill discounts received		52 739	58 177
Interest paid		(45 732)	(51 537)
Fees paid re: guarantee provided by the Treasurer of South Australia		(1 129)	(1 107)
Cash payments to suppliers and employees		(1 859)	(1 738)
Fees received		140	153
Income tax equivalents paid		(995)	(1 392)
Net cash provided by (used in) operating activities	19(c)	3 164	2 556
Cash flows from investing activities:			
Loans to councils and local government bodies		(10 436)	(16 513)
Investment securities		(42 000)	5 000
Payments for property, plant and equipment		(2 210)	(86)
Proceeds from sale of property, plant and equipment		27	25
Net cash provided by (used in) investing activities		(54 619)	(11 574)
Cash flows from financing activities:			
Promissory notes		(5 232)	(6 980)
Deposits from councils and local government bodies		32 166	37 635
Short-term money market facilities		26 515	(29 260)
Fixed-term borrowings		-	9 600
Bonus payments to councils and local government bodies		(1 740)	(1 740)
Other		(221)	(432)
Net cash provided by (used in) financing activities		51 488	8 823
Net increase (decrease) in cash held		33	(195)
Cash (Bank overdraft) at 1 July		(26)	169
Cash (Bank overdraft) at 30 June	19(a)	7	(26)

Notes to and forming part of the financial statements

1. Objectives of the Local Government Finance Authority of South Australia (the Authority)

The Authority is a public authority and was established pursuant to the *Local Government Finance Authority Act 1983*. The functions of the Authority are as follows:

(a) to develop and implement borrowing and investment programs for the benefit of councils and prescribed local government bodies

(b) to engage in such other financial activities as are determined by the Minister, after consultation with the Local Government Association, to be in the interests of local government.

2. Summary of accounting policies

(a) Basis of accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs and the requirements of the TIs relating to financial reporting by statutory authorities, which are issued pursuant to the PFAA.

(a) Basis of accounting (continued)

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

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

(b) Classification of financial instruments

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

- Loans and receivables – measured at amortised cost. The Authority classifies loans and advances, accrued interest receivable, cash and liquid assets and other assets under this category.
- Held-to-maturity financial assets – measured at amortised cost. The Authority did not have any assets in this category at balance date.
- Available-for-sale financial assets – measured at fair value with fair value changes taken to equity and impairment losses and gains taken to the Statement of Comprehensive Income. The Authority classifies certain investment securities (refer note 2(f)) under this category, which are not held for trading but can be disposed of in an existing market if required.
- Financial assets or financial liabilities at fair value through profit and loss – measured at fair value with fair value changes taken to the Statement of Comprehensive Income. The Authority classifies derivative instruments that are not classified as effective hedging instruments under this category (refer note 2(i)).
- Fair value hedge – measured at fair value with hedge accounting adjustments taken to the Statement of Comprehensive Income. The Authority classifies derivatives which are effective hedging instruments (refer note 2(i)) and the corresponding hedged items (refer note 2(h)), which are all fixed rate debenture loans under this category.
- Financial liabilities at amortised cost – the Authority classifies all liabilities under this category, other than derivative instrument liabilities which are not classified as effective hedging instruments (refer note 2(i)).

(c) Interest income

Interest on investments

This item includes interest income from assets which are classified as available-for-sale financial assets and financial assets at fair value through profit and loss and deposits held with financial institutions during the year. The interest income is calculated on an accruals basis.

Interest on loans and advances

This item includes interest income from assets classified as loans and advances as well as interest income from derivatives that are classified under the fair value hedge category. The interest income is calculated on an accruals basis.

(d) Interest expense

Interest on deposits from councils and local government bodies

This item includes interest paid to councils and local government bodies and is calculated on an accruals basis.

Interest on borrowings

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

(e) Income tax equivalents

The Authority is required to make payments equivalent to company income tax under the taxation equivalent payment system. The equivalent company income tax liability is calculated/applied on an accounting profits basis.

(f) Investment securities

The Authority has investments that are categorised as available-for-sale financial assets which have therefore been recorded at fair value in accordance with the provisions of AASB 139. Changes in the fair value of these investments are normally recorded in an available-for-sale asset valuation reserve in equity. Impairment losses incurred in relation to these investments are initially recorded in equity and, where they continue, are transferred to the Statement of Comprehensive Income. Gains in relation to these investments which reverse impairment losses previously recognised in the Statement of Comprehensive Income are recognised as revenue to the extent that they reverse prior impairment losses. Any subsequent gains in excess for prior impairment losses are recognised in the available-for-sale asset valuation reserve in equity.

(g) Loans and advances

The majority of loan agreements are secured by debentures, providing a charge over council general revenue. Loans to prescribed local government bodies (totalling $36.3 million as at 30 June 2013) are predominantly to council subsidiaries and rely upon the constitutional obligations of councils in the guarantee of the liabilities incurred or assumed by subsidiaries as per Schedule 2 of the *Local Government Act 1999*.

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

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

(h) Hedge accounting

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

The Authority uses interest rate swaps to hedge the interest rate risk associated with long-term fixed rate debenture loans to councils and prescribed bodies. Hedge accounting is used where it has been determined that the hedge is highly effective and has been documented according to AASB 139.

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

(i) Derivative transactions

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

Interest rate swaps are categorised as fair value hedges and futures contracts are categorised as financial assets or financial liabilities at fair value through profit and loss.

(j) Property, plant and equipment

Property, plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation.

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

	Years
Office equipment	3
Office furniture	5
Computer software	2.5
Motor vehicles	4.5-6.7
Building floor space	70

(k) Concentrations of deposits

The Authority is an industry specific financial institution which operates under the *Local Government Finance Authority Act 1983*. The Authority is restricted by legislation to accepting deposits from councils and local government bodies operating in South Australia.

(l) Provisions

Employee benefits

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

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

Bonus payment

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

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

Income tax equivalents

A provision is made for tax equivalents payable as at 30 June 2013 (refer note 2(e)).

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

(m) General reserve

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

(n) Accounting judgments, estimates and assumptions

Significant accounting judgments

In the process of applying the Authority's accounting policies, management has made judgments in the classification of financial instruments which has had a significant effect on the amounts recognised in the financial statements. In particular, the classification of derivatives and long-term fixed rate debenture loans as fair value hedges has enabled management to utilise the hedge accounting provisions of AASB 139.

Significant accounting estimates and assumptions

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

(o) Comparative information

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

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

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

(p) Rounding

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

(q) New and revised accounting standards

The Authority did not voluntarily change any of its accounting policies during 2012-13.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Authority for the period ending 30 June 2013.

The Authority has assessed the impact of AASB 13 and considers there will be a financial impact which will be quantified upon implementing the standard in the year ending 30 June 2014.

The Authority has assessed the impact of AASB 9 and considers there will be no financial impact when it is due to be adopted in the financial year ending 30 June 2016.

3. Other income

	2013 $'000	2012 $'000
Gain on impaired available-for-sale assets revaluation	269	-
Gain on fair value hedges revaluation (hedge accounting)	196	-
Fee income	133	155
	598	155

4. Administration expenses

	2013	2012
Audit fees	97	71
Consultancy fees	47	40
Depreciation	116	103
Occupancy expenses	115	107
Salaries and on-costs	987	904
Software license fees	78	73
Sponsorships	87	75
Other administration expenses	417	377
	1 944	1 750

The amounts received, or due and receivable, in respect of this financial year by the auditors in connection with:		
Auditing the accounts by the Auditor-General's Department*	55	45
Financial management compliance program by an external audit firm	42	26
	97	71

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

The number and dollar amount of consultancies paid/payable that fell within the following bands:	2013 Number	2013 $'000	2012 Number	2012 $'000
Below $10 000	3	12	1	2
$10 000 - $50 000	1	35	2	38
		47		40

5. Other expenses

	2013 $'000	2012 $'000
Loss on impaired available-for-sale assets revaluation	-	299
Loss on fair value hedges revaluation (hedge accounting)	-	118
	-	417

6. Cash and liquid assets

Cash at bank	7	-

7. Accrued interest receivable*

Interest receivable - loans to councils and local government bodies	2 775	3 028
Interest receivable - investment securities	968	1 248
	3 743	4 276

* The accrued interest receivable on investment securities, net loans and advances and derivatives which are required to be recorded at fair value have been transferred to the respective line item.

8. Investment securities

Deposits and securities issued by banks	84 000	42 000
Accrued interest receivable	18	23
Fair value loss on impaired available-for-sale assets*	(1 228)	(1 497)
	82 790	40 526

* The unrealised impairment loss relates to the market value of perpetual floating rate capital notes, which fluctuates with the quoted price on the Australian Stock Exchange. Whilst the market value will fluctuate over time the return on the initial investment of $4 million remains constant at 75-100 basis points over the 90 day BBSW interest rate on the face value of the notes.

9. Other assets

	2013 $'000	2012 $'000
Sundry debtors and prepayments	111	92

	2013	2012
10. Net loans and advances	$'000	$'000
Advances	165 062	136 187
Term loans	426 550	444 988
Loans and advances - at cost	591 612	581 175
Fair value adjustment (hedge accounting)	38 376	49 031
Net loans and advances	629 988	630 206
Unrecognised commitments - loans and advances:		
Unused cash advance facilities	355 655	345 348
Term loans approved not advanced	436	3 600
	356 091	348 948
11. Property, plant and equipment		
Plant, equipment and motor vehicles:		
At cost	1 084	1 006
Accumulated depreciation	(542)	(731)
Building floor space:		
At cost	1 799	-
Accumulated depreciation	(5)	-
Total property, plant and equipment	2 336	275
Reconciliation of property, plant and equipment		
Carrying amount at 1 July	275	317
Acquisitions	2 210	86
Disposals	(33)	(25)
Depreciation	(116)	(103)
Carrying amount at 30 June	2 336	275
12. Deposits from councils and local government bodies		
Deposits from councils and local government bodies	428 315	396 149
13. Accrued interest payable		
Interest payable on:		
Deposits from councils and local government bodies	3 300	4 011
Borrowings*	500	640
	3 800	4 651

* The accrued interest payable on interest rate swaps which are required to be recorded at fair value has been transferred to the derivatives line item.

	2013	2012
14. Borrowings		
Bank overdraft	-	26
Short-term money market facility	162 115	135 600
Fixed-term borrowings	9 600	9 600
Promissory notes	28 287	33 519
	200 002	178 745
15. Derivatives		
Swap principal receivable	(9 289)	(9 068)
Interest receivable - interest rate swaps	(1 537)	(2 028)
Interest payable - interest rate swaps	4 422	4 580
Fair value adjustment	33 482	44 176
Interest rate swaps*	27 078	37 660

* Interest rate swaps are shown as the net of the fixed rate leg and the floating rate leg.

	2013	2012
16. Provisions		
Employee benefits	260	284
FBT	18	18
Bonus payments to councils and local government bodies	1 740	1 740
Provision for income tax equivalents	739	429
	2 757	2 471

Movements of major provisions during the year	2013	2012
(i) Bonus payments to councils and local government bodies	$'000	$'000
Opening balance 1 July	1 740	1 740
Increase in provision	1 740	1 740
Amounts paid	(1 740)	(1 740)
Closing balance 30 June	1 740	1 740
(ii) Provision for income tax equivalents		
Opening balance 1 July	429	689
Increase in provision	1 305	1 132
Amounts paid	(995)	(1 392)
Closing balance 30 June	739	429

17. Other liabilities

Employee on-costs	29	29
Sundry creditors	208	189
	237	218

18. Superannuation commitments

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

19. Notes to the Statement of Cash Flows

(a) Reconciliation of cash

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

		2013	2012
	Note	$'000	$'000
Cash (Bank overdraft) and liquid assets	6,14	7	(26)

(b) Cash flows presented on a net basis

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

(i) client deposits and withdrawals
(ii) sales and purchases of money market securities
(iii) drawdown and repayment of loans and investments
(iv) fees paid and received.

(c) Reconciliation of net cash provided by (used in) operating activities to profit after income tax equivalents

Profit after income tax equivalents	3 045	2 640
Movements in assets/liabilities:		
Interest receivable	1 185	75
Sundry debtors	(18)	6
Interest payable	(1 009)	(333)
Sundry creditors	20	(40)
Provisions	286	(312)
Depreciation	116	103
Revaluation loss (gain)	(196)	118
Impairment loss (gain)	(269)	299
Loss (gain) on disposal of fixed assets	4	-
Net cash provided by (used in) operating activities	3 164	2 556

20. Remuneration of board members

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

The name of each person holding the position of board member during the year is as follows:

Ms Wendy Campana
Mr Paul Cohen
Councillor John Frogley
Ms Susan McCormick
Mr Anthony Pederick, OAM
Mr David Posaner
Councillor John Sanderson
Mr Jeff Tate

20. Remuneration of board members (continued)

Mr Paul Cohen was replaced as a Local Government Association appointed representative board member by Mr Jeff Tate effective 1 January 2013. Mr Anthony Pederick, OAM was elected as Chairman and Councillor John Frogley was elected as Deputy Chairman at a board meeting held on 19 February 2013. Ms Susan McCormick was reappointed as the appointee of the Minister for State/Local Government Relations until 31 December 2014.

Board members are entitled to receive an allowance. Payment of allowances in respect of members appointed by the Minister, Treasurer or Chief Executive Officer of the Local Government Association of South Australia are made in accordance with section 13 of the *Local Government Finance Authority Act 1983*. The appointee of the Minister and the appointee of the Treasurer presently do not seek fees. The amount payable in respect of the Chief Executive Officer of the Local Government Association of South Australia is paid to the Local Government Association of South Australia.

The total amount paid or payable to board members for the financial year ended 30 June 2013 was $51 695 ($49 577) which includes salary and superannuation.

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.

The number of members whose remuneration received or receivable falls within the following bands:	2013 Number	2012 Number
$0	2	2
$1 - $10 000	5	3
$10 001 - $20 000	-	2
$20 001 - $30 000	1	-

21. Remuneration of employees

(a) Key management personnel

The following persons held authority and responsibility for management of the activities of the Authority, directly or indirectly, during the financial year:

Mr Paul Slater (Chief Executive Officer)
Mr Robert Hardy (Manager Treasury)
Mr Ryan Easton (Manager Lending)*

* Resigned effective 1 May 2013.

(b) Key management personnel remuneration

The number of employees whose remuneration received or receivable falls within the following bands:	2013 Number	2012 Number
$150 000 - $159 999	1	1
$160 000 - $169 999	-	1
$170 000 - $179 999	1	-
$350 000 - $359 999	-	1
$360 000 - $369 999	1	-

The table above includes all employees who received remuneration equal to or greater than the base executive remuneration level of $138 000 ($134 000), as determined by DTF. The remuneration comprises salary, employer's superannuation costs including superannuation guarantee charge, motor vehicle package and associated FBT, car parking and associated FBT and living away from home allowance. The total remuneration received by these employees for the year was $691 111 ($670 541).

22. Contingent assets and liabilities

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

(a) Contingent assets

Under section 24 of the *Local Government Finance Authority Act 1983,* all financial obligations incurred or assumed by the Authority are guaranteed by the Treasurer on behalf of the State of South Australia. As at 30 June 2013 the total liabilities guaranteed was $662.189 million.

(b) Contingent liabilities

(i) Financial guarantee

The Authority has issued a financial guarantee on behalf of the Workers Compensation Scheme of the Local Government Association of South Australia in favour of the WorkCover Corporation of South Australia. The guarantee is fully secured against depositor funds held, the value of which will not be less than the value of any liability that might be incurred. As at 30 June 2013 the amount guaranteed was $30.496 million.

(ii) Performance bond/guarantees

Northern Adelaide Waste Management Authority

The Authority has issued a performance bond/guarantee on behalf of the prescribed local government body, Northern Adelaide Waste Management Authority, a regional subsidiary of the City of Playford, Corporation of the Town of Gawler and City of Salisbury in favour of the Environment Protection Authority. As at 30 June 2013 the amount guaranteed was $350 000.

Western Region Waste Management Authority

The Authority has issued a performance bond/guarantee on behalf of the prescribed local government body, Western Region Waste Management Authority, a regional subsidiary of the City of Charles Sturt, City of Holdfast Bay, City of Port Adelaide Enfield and City of West Torrens in favour of the Environment Protection Authority and the Urban Renewal Authority. As at 30 June 2013 the amount guaranteed was $2 million.

City of Charles Sturt

The Authority has issued a performance bond/guarantee on behalf of the City of Charles Sturt in favour of the Commonwealth of Australia represented by the Department of Families, Housing, Community Services and Indigenous Affairs. As at 30 June 2013 the amount guaranteed was $12 million.

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

23. Financial risk management

(a) Risk management policies and procedures

The Treasurer issued a revised consent, dated 28 October 2010, for the Authority to enter into a range of financial instruments as part of its normal operations of providing borrowing and investment services to local government in South Australia and for managing the associated risks.

All financial instrument transactions and internal control activities are conducted within a board approved risk policy document. A treasury management system is in place which provides comprehensive accounting and reporting of financial instrument transactions which in turn allows for compliance with the risk policy to be monitored closely.

The risk management process is subject to regular and close senior management scrutiny, including regular board and other management reporting. An asset and liability committee has been appointed to direct and monitor risk management operations in accordance with the risk policy and is accountable to the Board.

(b) Market risk

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

(i) Interest rate risk

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

(i) Fair value sensitivity analysis for fixed rate instruments

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

(ii) Sensitivity analysis for variable rate instruments

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

(ii) Sensitivity analysis for variable rate instruments (continued)

	2013			2012		
	Principal balance	+0.5%	-0.5%	Principal balance	+0.5%	-0.5%
Variable rate financial assets:	$'000	$'000	$'000	$'000	$'000	$'000
Investment securities	64 000	320	(320)	22 000	110	(110)
Advances	165 062	825	(825)	136 987	685	(685)
Variable rate financial liabilities:						
Council deposits	382 670	(1 913)	1 913	307 934	(1 540)	1 540
Short-term money market facility	162 115	(811)	811	135 600	(678)	678
Promissory notes	28 287	(141)	141	33 520	(168)	168
Variable rate derivatives:						
Interest rate swaps (notional principal)	417 408	2 087	(2 087)	425 740	2 129	(2 129)
Profit (Loss) interest rate sensitivity		367	(367)		538	(538)

(ii) Other price risk

The Authority holds investments issued by Australian banks known as floating rate capital notes, which are traded on the Australian Stock Exchange and are therefore classified as available-for-sale assets. These investments are subject to price variations caused by factors other than interest rate fluctuations.

(c) Credit risk

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

Included in the Authority's risk policy document is a credit risk limits policy which stipulates counterparty credit limits as follows:

(i) Investments and derivatives

Individual counterparties are assessed based on Standard & Poor's credit ratings and a limit applied based on that rating. Specific approvals are given for counterparties that are outside of this criteria. Regular reporting of investment and derivative credit exposures are provided to the Board and management.

(ii) Loans and advances

Credit limits are applied to individual councils based on debt servicing levels not exceeding board approved percentages. Debt servicing levels are analysed on receipt of each loan application and the board approved percentages are reviewed annually. Credit risk is considered minimal as the majority of loan agreements are secured by debentures providing a charge over the Council's general revenue.

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

A concentration of credit risk occurs in relation to loans and advances as under the *Local Government Finance Authority Act 1983*, loans and advances made are restricted to councils and local government bodies (refer note 2(g)).

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

	Short-term rating			Long-term rating					
	A1+	A1	A2	AA-	A+	A	A-	NR	Total
2013	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and liquid assets	7	-	-	-	-	-	-	-	7
Investment securities	55 000	5 000	-	20 000	2 000	-	2 000	-	84 000
Loans and advances	-	-	-	-	-	-	-	591 612	591 612
Derivatives	-	-	-	600	-	4 700	-	-	5 300
	55 007	5 000	-	20 600	2 000	4 700	2 000	591 612	680 919

(c) Credit risk (continued)

	Short-term rating			Long-term rating					
	A1+	A1	A2	AA-	A+	A	A-	NR	Total
2012	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and liquid assets	-	-	-	-	-	-	-	-	-
Investment securities	-	23 000	5 000	10 000	2 000	-	2 000	-	42 000
Loans and advances	-	-	-	-	-	-	-	581 175	581 175
Derivatives	-	-	-	-	-	5 500	-	7	5 507
	-	23 000	5 000	10 000	2 000	5 500	2 000	581 182	628 682

(d) Liquidity risk

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

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

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

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

	Carrying amount	Contracted cash flows	0-3 months	3-12 months	1-5 years	More than 5 years
2013	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivative financial liabilities:						
Deposits from councils and local government bodies	431 615	(431 615)	(385 970)	(10 645)	(35 000)	-
Borrowings	200 502	(200 991)	(190 959)	(10 032)	-	-
Derivative financial liabilities:						
Interest rate swaps - outflow	445 976	(533 815)	(13 038)	(56 445)	(231 651)	(232 681)
Interest rate swaps - inflow	(418 898)	479 495	15 245	42 984	199 978	221 288
2012						
Non-derivative financial liabilities:						
Deposits from councils and local government bodies	400 160	(400 160)	(311 945)	(83 215)	(5 000)	-
Borrowings	179 385	(180 358)	(169 894)	(432)	(10 032)	-
Derivative financial liabilities:						
Interest rate swaps - outflow	465 436	(554 759)	(12 888)	(60 310)	(234 632)	(246 929)
Interest rate swaps - inflow	(427 776)	504 238	15 462	47 580	206 258	234 938

24. Transactions with SA Government

	2013	2012
The following expense transactions were undertaken during the financial year between the Authority and the SA Government:	$'000	$'000
Interest paid - short-term money market facility	3 507	6 228
Interest paid - fixed-term borrowings	432	362
Interest paid - promissory notes	1 000	1 728
Fees for the guarantee of the Treasurer of South Australia on liabilities	1 135	1 113
Income tax equivalents expense	1 305	1 132
Audit fees	55	45
Payroll tax	21	18
The following financial liabilities were outstanding at the end of the financial year between the Authority and the SA Government:		
Short-term money market facility	162 115	135 600
Fixed-term borrowings	9 600	9 600
Promissory notes	28 287	33 519
Interest payable - short-term money market facility	361	439
Interest payable - fixed-term borrowings	30	30
Interest payable - promissory notes	109	171
Audit fees	50	45

25. Fair value of financial instruments

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

All derivative financial instruments and available-for-sale financial assets (investment securities) have been recorded at fair value, including accrued interest, in the accounts. A portion of net loans and advances has been recorded at fair value using hedge accounting with the remainder recorded at amortised cost.

The fair value of other assets and other liabilities is not required as the book value is a reasonable approximation of fair value.

(a) Fair value of financial assets and financial liabilities

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

Investment securities

The fair value of floating rate capital notes is based on current market rates as quoted on the Australian Stock Exchange. The fair value of fixed-term deposits held with banks is estimated based on a discounted cash flow analysis utilising a zero coupon curve which is representative of the market rates used for unwinding such instruments.

Net loans and advances

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

Deposits from councils and prescribed local government bodies

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

Borrowings

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

Derivatives

The fair value of interest rate swaps is estimated based on a discounted cash flow analysis utilising a zero coupon curve which is representative of the market rates used for unwinding such instruments. The fair value of futures contracts is based on current market rates as quoted on the Sydney Futures Exchange.

		2013		2012	
		Book value	Fair value	Book value	Fair value
	Note	$'000	$'000	$'000	$'000
Financial assets	2(b)				
Available-for-sale financial assets:					
Investment securities		2 790	2 790	2 526	2 526
Loans and receivables:					
Investment securities		80 968	81 451	39 247	39 663
Net loans and advances		186 786	199 974	167 799	181 175
Fair value hedge:					
Net loans and advances		445 976	445 976	465 436	465 436
Financial liabilities	2(b)				
Financial liabilities at amortised cost:					
Deposits from councils and prescribed bodies		431 615	431 918	400 160	401 025
Borrowings		200 502	200 644	179 385	179 633
Fair value hedge:					
Derivatives		27 078	27 078	37 660	37 660

(b) Fair value hierarchy

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

- Level 1 – fair values that reflect unadjusted quoted prices in active market for identical assets/liabilities
- Level 2 – fair values that are based on inputs that are directly or indirectly observable for the asset/liability (other than unadjusted quoted price)
- Level 3 – fair values that are derived from data not observable in a market. The Authority does not have any financial assets or liabilities which are required to be valued using this method.

2013	Level 1	Level 2	Level 3	Total
Financial assets:	$'000	$'000	$'000	$'000
Investment securities	2 790	81 451	-	84 241
Net loans and advances	-	645 950	-	645 950
Financial liabilities:				
Deposits from councils and prescribed bodies	-	431 918	-	431 918
Borrowings	-	200 644	-	200 644
Derivatives	-	27 078	-	27 078
2012				
Financial assets:				
Investment securities	2 526	39 663	-	42 189
Net loans and advances	-	646 611	-	646 611
Financial liabilities:				
Deposits from councils and prescribed bodies	-	401 025	-	401 025
Borrowings	-	179 633	-	179 633
Derivatives	-	37 660	-	37 660

Lotteries Commission of South Australia

Functional responsibility

Establishment

The Lotteries Commission of South Australia (SA Lotteries or the Commission) is a statutory authority established pursuant to the *State Lotteries Act 1966* (the Lotteries Act) with the principal function of promoting and conducting lotteries for South Australia.

SA Lotteries Exclusive Master Agent transaction

Refer to Part A of this Report for commentary on matters related to this transaction that was administered by DTF.

Appointment of Tatts Lotteries SA Pty Ltd (Tatts) as exclusive Master Agent of the Commission

On 26 November 2012, the State appointed Tatts as the exclusive Master Agent to operate the Commission's brands and products for a term of 40 years. The Master Agent arrangements commenced on 11 December 2012. The terms and conditions of the appointment and its ongoing operation are governed by the following transaction documents:

- Implementation Deed
- Master Agency Agreement
- Intellectual Property Licence Deed
- Business Assets Sale Deed
- Operations Deed
- Treasurer's Agency Fees Guarantee and Payment Deed
- Transitional Services Agreement.

The Implementation Deed and Treasurer's Agency Fees Guarantee and Payment Deed were executed by the Treasurer.

The Master Agency Agreement, Intellectual Property Licence Deed, Business Assets Sale Deed, Operations Deed and Transitional Services Agreement were executed by the Commission for and on behalf of the State. The Commission was formally directed to execute these documents by the Minister for Finance on 26 November 2012.

The Master Agent has been appointed pursuant to the Commission's powers under section 13(1)(b) of the Lotteries Act. Under the transaction documents, Tatts is appointed as the exclusive Master Agent:

- for the sale of entries into all lottery games operated by the Commission and payment of prizes associated with those entries

- to appoint retail agents

- to authorise the premises at which retail agents may sell tickets.

Tatts receives a Master Agent fee in accordance with the transaction documents. The calculation basis for this fee is outlined in note 11 to the financial statements.

The Commission has retained control of the Lotteries Fund established under section 16(1) of the Lotteries Act. As a result, the Commission has also retained the responsibility to report all activity through the Lotteries Fund in the Commission's financial statements. The Lotteries Fund reflects all activity related to gaming operations.

The transaction documents require Tatts to hold and operate the Lotteries Fund for and on behalf of the Commission. The Commission has an ongoing responsibility to monitor whether the Master Agent's operations are conducted in compliance with all laws, regulations, codes of practice, contractual agreements and policies that regulate the business to ensure the Commission's compliance with the Lotteries Act and the transaction documents. The Commission must also maintain the necessary processes to enable it to ensure the effectiveness of Tatts internal controls over its financial reporting of gaming activity and the Lotteries Fund.

Transitional arrangements

The Master Agent arrangements are currently in an 18 month transition period which will expire on 10 June 2014. During the transition period, Tatts has engaged Commission employees to render services outlined in the Transitional Services Agreement. Tatts is recharged by the Commission for these services.

Following completion of the transition period, the Commission will no longer directly carry out any gaming operations. As a result, a significantly reduced workforce will be required and the significant majority of the Commission's current employees will no longer have an ongoing role.

The non-executive employees who will no longer have an ongoing role with the Commission will be offered the option of redeployment to another government agency or a TVSP during the next 12 months. Six employees no longer required for transitional services received a TVSP during 2012-13 (refer note 9).

Functions

The Commission, in conjunction with the Master Agent, administers and promotes the following lotteries in South Australia:

- Monday/Wednesday X Lotto
- Oz Lotto
- Powerball
- Saturday X Lotto
- Super 66
- The Pools
- Keno
- Instant Scratchies
- Special appeal lotteries
- Special lotteries
- Sports lotteries

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA and section 18A(2) of the Lotteries Act provide for the Auditor-General to audit the accounts of the Commission for each financial year.

Assessment of controls

Section 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Commission in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of the audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2012-13, areas of review included:

- transaction documents compliance
- transaction documents contract management arrangements
- status of Tatts Group compliance plan and associated reporting requirements
- IT operations
- gaming revenue
- prize payments
- inventory
- expenditure
- payroll
- general ledger
- cash.

Internal audit activities and reports were also reviewed.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Lotteries Commission of South Australia as at 30 June 2013, 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.

Assessment of controls

In my opinion, the controls exercised by the Lotteries Commission of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for all matters outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Lotteries Commission of South Australia have been conducted properly and in accordance with law.

Communication of audit matters

Matters identified during the course of the audit were detailed in a management letter to the Chief Executive of the Commission. The Commission's response to the letter indicated that appropriate action would be taken to address the matters raised. The main matters raised with the Commission and the related responses are detailed below. At the time of finalising this Report other review work relating to the IT operations was being completed. The results of this review activity will be formally communicated to the Chief Executive.

Corporate governance

Finalisation of the compliance plan

The Master Agent is required to deliver an annual compliance plan to the Commission by no later than 30 November each year under clause 11.1 of the Master Agency Agreement.

The annual compliance plan must set out the Master Agent's detailed plan and strategy for achieving compliance with the Master Agent's obligations under the transaction documents for the following one year period. The Master Agent must perform its obligations under the transaction documents in accordance with the annual compliance plan.

The Master Agent must also deliver an annual compliance report by no later than 31 March each year. The annual compliance report must contain a certification from the Master Agent in relation to its compliance with its obligations under the transaction documents, in particular the Master Agency Agreement.

Audit review indicated the annual compliance plan was yet to be finalised and approved by the Commission and Tatts.

Audit also noted the timeframes for compliance plan reporting in the Master Agency Agreement were inconsistent with the Commission's financial statements reporting period (ie the first compliance plan report is due on 31 March 2014). Given these contractual arrangements, a compliance plan report had not been provided by Tatts to cover the 2012-13 financial year.

Audit recommended the Commission liaise with Tatts in order to finalise and approve the annual compliance plan as soon as possible. Audit also recommended the Commission liaise with Tatts to ensure consistency between compliance and financial statements reporting timeframes and to obtain a formal certificate of compliance for the 30 June 2013 reporting period.

The Commission responded that the annual compliance plan was finalised in July 2013. An annual compliance report for the period 11 December 2012 to 30 June 2013 was also received from Tatts in July 2013.

The Commission advised that Crown Law had been requested to consider whether an amendment should be made to the Master Agent Agreement to ensure consistency between the reporting timeframes for the annual compliance report and the Commission's financial statements.

Internal audit coverage of the Tatts control environment

Tatts provides a monthly Master Agent trading summary to the Commission, which outlines the amounts to be entered into the Commission's general ledger to reflect the results of gaming operations for the period. This advice captures all games and also details the Master Agent fee.

Audit review indicated the Commission performs high level reasonableness checks on the income and expenditure items in the trading summaries.

However, Audit review indicated no checks were performed on the Statement of Financial Position items in the trading summaries. The Commission had also not performed any checks or reviews to ensure that Tatts controls supporting the preparation of the trading summaries were adequate.

As a result, there was a risk that control deficiencies in the preparation of the trading summaries may not have been identified and errors and misstatements in the trading summaries may not have been detected.

Audit recommended that internal audit assurance be obtained to ensure the adequacy of the Tatts control environment supporting the preparation of the monthly Master Agent trading summaries and to confirm the accuracy and completeness of the trading summaries.

The Commission indicated in the response that approval had been given in July 2013 for internal audit, KPMG, to undertake an assessment of the Tatts control environment supporting the preparation of the monthly trading summaries. The internal audit report was issued by KPMG in September 2013.

Gaming revenue

Monitoring and review of Tatts reconciliations

Audit review indicated the Commission did not receive copies of the reconciliations prepared by Tatts to support the Statement of Financial Position item figures in the monthly Master Agent trading summaries.

As a result, it was not possible for the Commission to confirm the accuracy and completeness of the Statement of Financial Position accounts related to gaming operations.

Audit recommended the Commission establish a protocol to obtain copies of all monthly Statement of Financial Position item reconciliations prepared by Tatts. Audit also recommended the Commission perform and document reviews to ensure these reconciliations are accurate, complete and agree to the monthly Master Agent trading summary.

The Commission responded that it was liaising with Tatts to obtain copies of all Statement of Financial Position reconciliations. The Commission also indicated that reviews of the reconciliations would be completed once they are received.

Establishment of Master Agent trading summary review procedure

The Commission performs high level reasonableness checks on the profit and loss items in the Master Agent trading summaries. However, there is no formal policy or procedure that outlines the monthly review process for the Master Agent trading summary.

Given recent and imminent staff departures impacting the finance team, there was an increased risk that staff may be unclear regarding the tasks to be performed in reviewing the trading summary.

Audit recommended the Commission establish a formal procedure that outlines the checks to be performed on the monthly Master Agent trading summary, including the required checks on the profit and loss/balance sheet items and corresponding general ledger journals.

The Commission responded that a new Master Agent Trading Summary Review and Journals procedure has been developed and made available to all staff.

Cash

Identification of explanations for Lotteries Fund reconciliation variances

Audit review identified a variance between the March 2013 Lotteries Fund bank account reconciliation and the Lotteries Fund balance in the corresponding Master Agent trading summary. This discrepancy had not been adequately explained by the Commission or Tatts.

Audit recommended the Commission liaise with Tatts to obtain an adequate explanation for the variance and appropriate supporting documentation. Audit also recommended the Commission confirm that no unexplained variances exist as at 30 June 2013.

The Commission responded that Tatts had provided a report detailing explanations for each item comprising the March 2013 variance in July 2013. The Commission also indicated that Tatts had provided appropriate supporting documentation to explain all variances as at 30 June 2013.

Expenditure

Segregation of duties

In the prior year, Audit review of system access arrangements indicated that all finance officers had access to authorise disbursements in the Corporate Online banking system and that several finance officers had access to enter invoices and vendor detail changes in the accounts payable module.

In order to improve segregation of duties, Audit recommended that system access arrangements be amended to ensure officers with access to authorise disbursements do not have access to enter invoices and vendor changes.

Audit follow-up in 2012-13 indicated that access arrangements had not been changed to address these issues. As a result, it may have been possible for officers to enter and disburse invalid invoice payments.

Audit noted that compensating controls exist that will likely detect invalid payments, such as the independent review of invoice data entry, vendor master file changes and reconciliations between the accounts payable module EFT file and the Corporate Online banking system. In addition, all Corporate Online disbursements require authorisation by two separate officers.

However, in order to improve segregation of duties and further reduce the risk of invalid payments, Audit recommended that the Commission amend system access arrangements to ensure officers with access to authorise disbursements in Corporate Online do not have access to enter invoices and vendor changes.

The Commission responded that a system access review was completed in July 2013. A new procedure has also been established to ensure that there is adequate segregation of duties with respect to Corporate Online and processing of vendors and invoices.

Review of Corporate Online access arrangements

In the prior year, Audit noted Corporate Online banking system user access profiles were only reviewed and updated on an ‘as needs’ basis (ie when a new user required access).

Audit recommended that periodic review of Corporate Online user access profiles for appropriateness be performed and documented.

Audit follow-up in 2012-13 indicated that this periodic review was not yet implemented. As a result, there was a risk that inappropriate users may have had access to Corporate Online. This increased the likelihood of invalid payments.

Audit recommended the Commission perform and document periodic review of Corporate Online user access profiles to ensure they are appropriate. Audit indicated that this review should be performed by an independent officer.

The Commission responded that a review of Corporate Online user access profiles has been completed by an independent officer. A new procedure outlining monthly review processes for user access profiles has also been established and made available to relevant staff.

Reduction in Corporate Online disbursement limit

Audit review of Corporate Online disbursement processes indicated the Commission had an agreed total organisational daily payments limit of $70 million. Individual authorisers had a total daily payments limit of $55 million.

These amounts could potentially have been considered excessive, given the Commission's current expenditure profile (ie the Commission is no longer responsible for prize payments under the transaction documents). Audit also indicated the cost to the Commission of a significant fraud could be limited by reducing the total daily payments limits.

Audit recommended that a detailed review of the Commission's current expenditure profile be performed in order to establish the appropriateness of reducing the Corporate Online total daily payments limits.

The Commission responded that a detailed review of its current expenditure profile was completed in July 2013. The maximum daily limit has now been reduced to $1 million.

General ledger

Independent review of general ledger journals

Audit review indicated that no system restrictions exist to ensure all journals posted are appropriately approved prior to posting (ie an officer has access to create and post journals in the Navision general ledger module with no system approval required by an independent officer). Finance staff could therefore bypass the approval stage and post invalid or inaccurate general ledger journals without detection.

Audit recommended the Commission implement a system control in Navision that requires different officers to prepare and authorise general ledger journals prior to posting.

The Commission responded that a Navision system control review was completed in July 2013. System changes have also been scoped for implementation in August 2013.

Other revenue

Establishment of Tatts monthly recharge procedure

Each month the Commission performs detailed calculations to determine the amount of labour and supplies and services expenses to be recovered from Tatts. Audit review indicated that formal policies and procedures supporting this process were yet to be established.

In the absence of detailed guidance on how the monthly recharge amount for Tatts should be calculated, inconsistent and inappropriate practices may have been adopted resulting in non-compliance with the Transitional Services Agreement.

Audit recommended the Commission develop and approve detailed policies and procedures outlining how the monthly recharge amount to Tatts should be calculated in order to ensure compliance with the Transitional Services Agreement.

The Commission responded that a Tatts Monthly Recharge - Tatts Transitional Invoice procedure has been developed and made available to all relevant staff. Crown Law are also preparing a deed of amendment which includes the agreed basis for calculating various charges.

Interpretation and analysis of the financial report

Highlights of the financial report	2013 $'million	2012 $'million
Income		
Sales	462	424
Cost of sales	(405)	(372)
Other revenue	19	7
Total income	76	59
Expenses		
Master Agent fees	31	-
Supplies and services	12	15
Employee benefits expenses	8	10
Other expenses	5	2
Total expenses	56	27
Profit before income tax equivalent	20	32
Income tax equivalent expense	6	10
Profit after income tax equivalent and total comprehensive result	14	22
Distribution paid to the Hospitals Fund and Recreation and Sport Fund	115	104
Net cash provided by (used in) operating activities	(8)	1
Assets		
Current assets	52	76
Non-current assets	6	12
Total assets	58	88
Liabilities		
Current liabilities	42	54
Non-current liabilities	11	11
Total liabilities	53	65
Total equity	5	23

Statement of Comprehensive Income

Income

Total income for the year was $76 million, an increase of $17 million from the previous year. This reflects a $5 million increase in net sales and a $12 million increase in other revenue. The increase in net sales is mainly associated with:

- a higher number of Oz Lotto jackpots in excess of $15 million compared to last year, including a $112 million Oz Lotto jackpot in November 2012
- a higher number of Powerball jackpots in excess of $15 million compared to last year
- changes to the prize structure for Powerball, including increases in jackpot frequency and the number of prizes available to players.

The increase in cost of sales (9%) is consistent with the increase in sales (9%), given prizes, gambling tax on net gambling revenue and agents' commissions are based on fixed percentages of sales for relevant games.

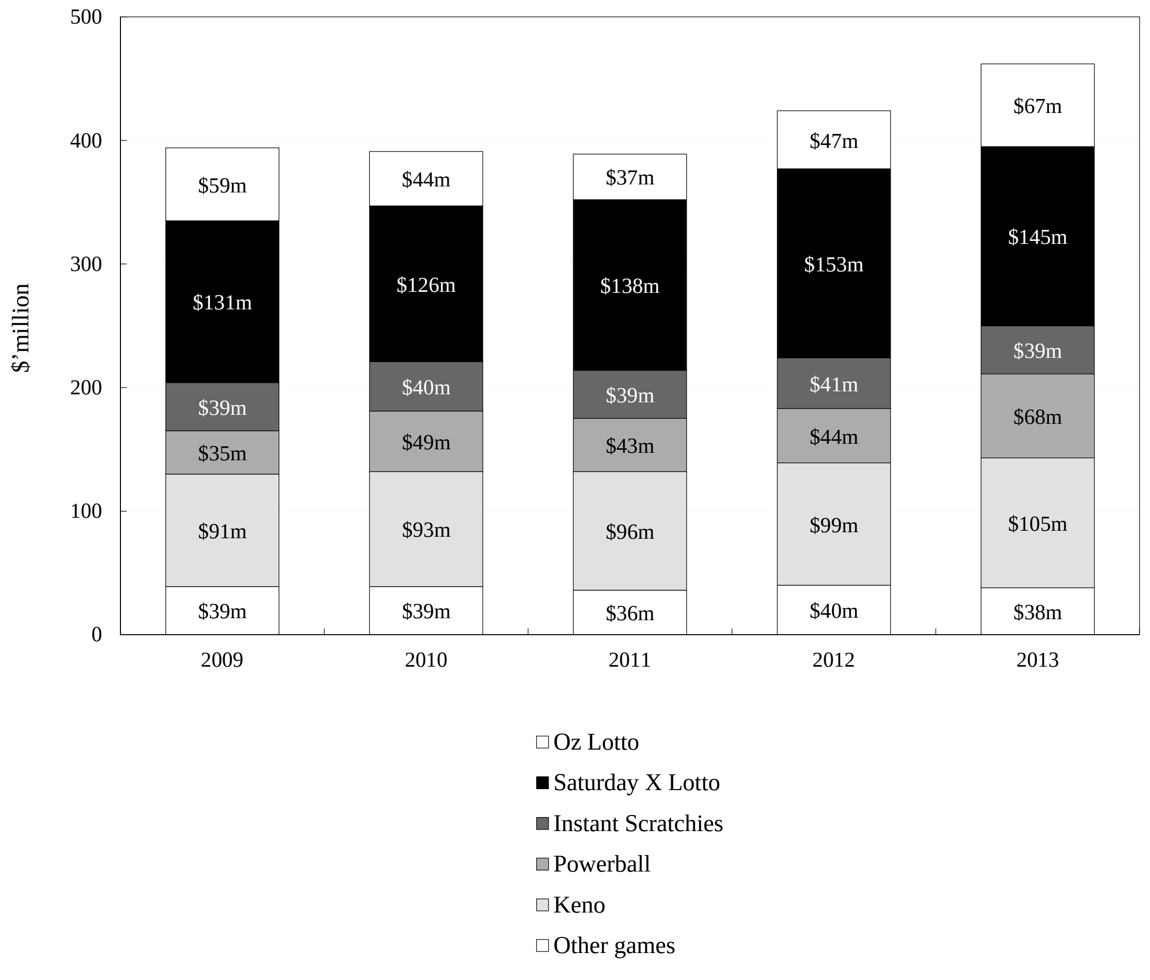
The $12 million increase in other revenue is mainly attributable to revenues from SA Government (refer note 7 to the financial statements) and reimbursements from the Master Agent (refer note 8).

Following the commencement of the Master Agent arrangements on 11 December 2012, the Commission's operations are no longer funded by proceeds from gaming operations. The Commission now receives a subsidy from the SA Government in order to fund its operations.

The reimbursements from the Master Agent relate to services rendered by the Commission to Tatts under the Transitional Services Agreement. These services are recharged on a monthly basis.

The increase in net sales and other revenue have been offset partly by the decrease in interest revenue. This decrease is due to the assignment of all interest on the Lotteries Fund to Tatts from 11 December 2012. The consideration for the assignment of interest formed part of the aggregate consideration paid by Tatts for the Exclusive Master Agent transaction.

A structural analysis of sales revenue generated by the Commission's lottery products in the five years to 2013 is presented in the following chart.



The games that constitute the largest proportion of sales are Saturday X Lotto (31%), Keno (23%), Oz Lotto (15%) and Powerball (15%).

Expenses

Total expenses increased by $28.6 million to $56 million. This is mainly due to the Master Agent fee ($30.8 million) and increase in depreciation and amortisation expense ($2.3 million), offset partly by decreases in supplies and services ($3.1 million) and employee benefits expenses ($1.4 million).

The Master Agent fee is payable to Tatts as the Commission's exclusive Master Agent for operating SA Lotteries' brands and products (refer note 11). Under clause 8.3 of the Master Agent Agreement, the Master Agent remits the amount of the Master Agent fee less agents' commissions to an account nominated by the Master Agent.

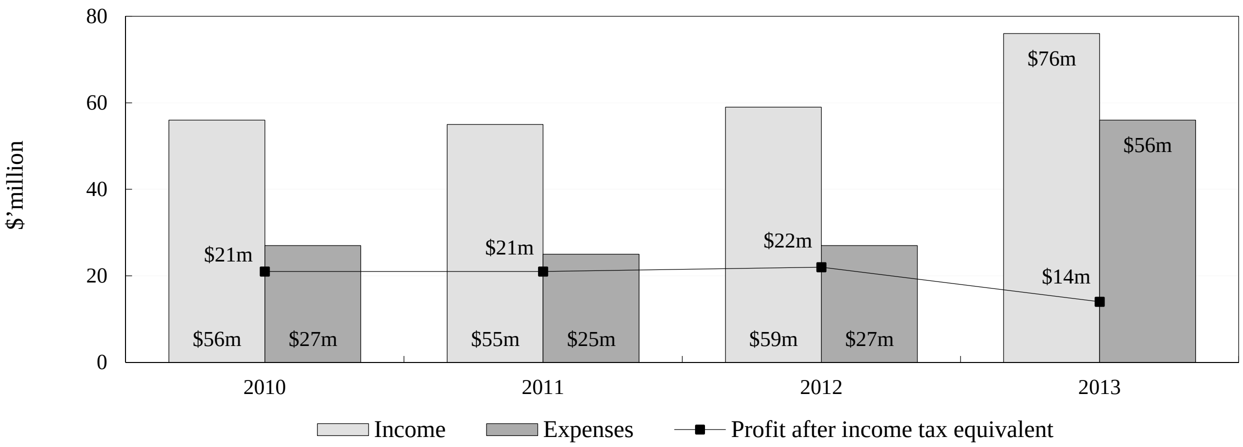
The increase in depreciation and amortisation expense is primarily attributable to the reduction in the estimated useful life of the online lotteries system (refer note 12). It is planned that this system will be decommissioned and replaced by the Tatts Tech system in April 2014.

The decrease in supplies and services is primarily due to lower marketing and promotions expenses. Following commencement of the Master Agent arrangements on 11 December 2012, Tatts has taken over responsibility for all marketing campaigns and costs.

The decrease in employee benefits expenses is mainly due to a decrease in the defined benefit superannuation plan liability, which has resulted from the improved investment performance of the superannuation fund (refer note 27). This decrease has been partly offset by an increase in salaries, which is primarily due to retention payments totalling $1 million being made to senior management during 2012-13. These payments were provided to senior management following the fulfilment of certain conditions related to continuous service throughout the Exclusive Master Agent transaction process.

Profit after income tax equivalent

The following chart shows the income, expenses and profit after income tax equivalent for the four years to 2013.



Profit after income tax equivalent has decreased significantly in 2012-13 due to the impact of the new Master Agent arrangements (ie the Commission now pays a Master Agent fee to Tatts and no longer receives the net sale proceeds from gaming operations).

Distributions to government

The Commission has made payments to the Government in accordance with the requirements of the Lotteries Act and the TIs which are detailed in notes 2(k) and 24 to the financial statements. These payments comprise a gambling tax, an income tax equivalent payment, a dividend and 50% of unclaimed prizes.

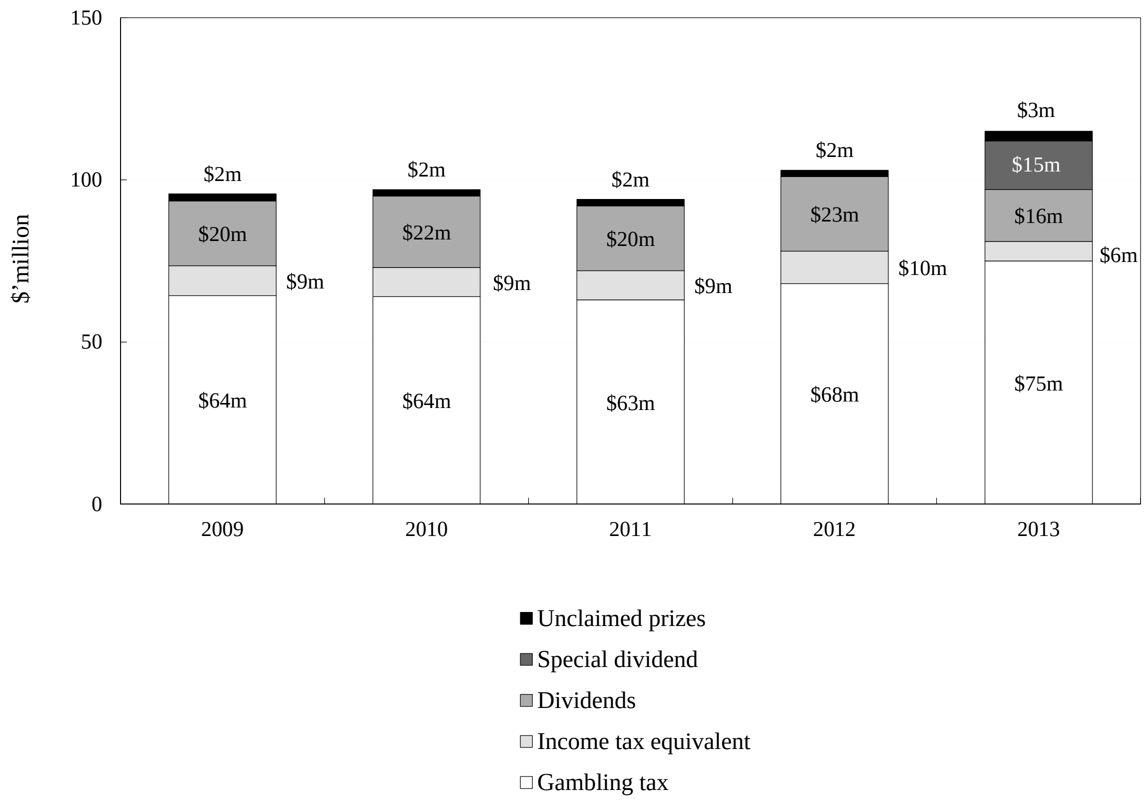
In 2012-13 the amount provided for distribution to government was $114 million, an increase of $11 million from the previous year. This is mainly due to the special dividend payable to the SA Government ($15 million) and the increase in gambling tax ($7 million), offset partly by decreases in general dividends ($7 million) and the income tax equivalent ($4 million).

The special dividend relates to the payment of the balance of all equity reserves and surplus cash to DTF as part of the implementation of the Master Agent arrangements.

The increase in gambling tax is attributable to higher sales compared to last year (gambling tax is based on net gambling revenue). From 11 December 2012, Tatts is responsible for paying gambling tax from the Lotteries Fund to the State.

The decrease in general dividends and the income tax equivalent is attributable to the new Master Agent arrangements. From 11 December 2012, the Commission no longer receives the proceeds from gaming operations and does not distribute any dividends or income tax equivalents to government. The general dividends and income tax equivalent in the 2012-13 financial statements relate to the period 1 July 2012 to 10 December 2012.

The following chart details the distributions provided to government for the five years to 2013.



Statement of Financial Position

Assets

Total assets decreased by $30 million to $58 million. The decrease in assets is mainly due to:

- a $16.3 million decrease in prize settlements receivable from interstate Bloc members, which is primarily attributable to large 'one off' South Australian Division 1 prizes in the previous year ($14 million for Oz Lotto and $3 million for Saturday X Lotto) which were yet to be settled and received from interstate Bloc members as at 30 June 2012

- a $6.9 million decrease in cash and cash equivalents, which is primarily due to the special dividend payment of the balance of all equity reserves and surplus cash to DTF as part of the implementation of the Master Agent arrangements, offset partly by the receipt of the SA Government subsidy

- a $6.1 million decrease in property, plant and equipment, which is mainly due to the increased depreciation on the online lotteries system resulting from the reduction in its estimated useful life, the sale of the Stepney warehouse in July 2012 and the transfer of plant and equipment assets to Tatts under the Business Assets Sale Deed

- the transfer of all Instant Scratchies inventories to Tatts under the Business Assets Sale Deed.

Liabilities

Total liabilities decreased by $12 million to $53 million principally due to a decrease in current prizes payable of $15 million. This is mainly due to large 'one off' Division 1 prizes in the previous year ($14 million for Oz Lotto and $3 million for Saturday X Lotto), being payable to South Australian prize winners as at 30 June 2012.

The current portion of LSL has also increased significantly in comparison to the non-current portion (refer note 19). This is due to the Commission's planned organisation structure following the end of the transition period on 10 June 2014, where the significant majority of the Commission's current employees will no longer have an ongoing role. The non-executive employees who will no longer have an ongoing role with the Commission will be offered the option of redeployment to another government agency or a TVSP during the next 12 months. The LSL associated with these employees has been classified as current.

Statement of Cash Flows

The following table summarises the net cash flows for the five years to 2013.

	2013 $'million	2012 $'million	2011 $'million	2010 $'million	2009 $'million
Net cash flows					
Operating	(8)	1	4	(10)	21
Investing	1	-	(1)	(11)	(1)
Change in cash	(7)	1	3	(21)	20
Cash at 30 June	47	54	53	50	71

The decrease in net cash flows from operating activities is primarily due to the special dividend payment of the balance of all equity reserves and surplus cash to DTF as part of the implementation of the Master Agent arrangements, offset partly by the receipt of the SA Government subsidy.

The increase in net cash provided by investing activities reflects the sale of the Stepney warehouse in July 2012.

Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Income:			
Sales revenue	5	462 145	423 632
Cost of sales	6	404 846	372 066
Gross margin		57 299	51 566
Interest revenue		1 024	2 460
Revenues from SA Government	7	7 526	-
Other revenues	8	9 760	5 110
Net gain from disposal of non-current assets	13	32	-
Total income		75 641	59 136
Expenses:			
Employee benefits expenses	9	8 129	9 552
Supplies and services	10	12 334	15 427
Master Agent fee	11	30 826	-
Depreciation and amortisation expense	12	4 656	2 386
Net loss on disposal of non-current assets	13	-	4
Total expenses		55 945	27 369
Profit (Loss) before income tax equivalent		19 696	31 767
Income tax equivalent expense		5 568	9 530
Profit (Loss) after income tax equivalent		14 128	22 237
Total comprehensive result		14 128	22 237

Profit (Loss) after income tax equivalent and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets:			
Cash and cash equivalents	15	46 576	53 480
Receivables	16	5 685	21 849
Inventories		-	571
Total current assets		52 261	75 900
Non-current assets:			
Receivables	16	-	136
Property, plant and equipment	17	5 764	11 841
Total non-current assets		5 764	11 977
Total assets		58 025	87 877
Current liabilities:			
Payables	18	24 142	41 592
Employee benefits	19	1 867	716
Other current liabilities	20	15 888	11 135
Total current liabilities		41 897	53 443
Non-current liabilities:			
Payables	18	1 360	1 711
Employee benefits	19	757	2 902
Other non-current liabilities	20	8 615	6 603
Total non-current liabilities		10 732	11 216
Total liabilities		52 629	64 659
Net assets		5 396	23 218
Equity:			
Retained earnings		5 396	-
Funds retained for capital purposes		-	636
Revaluation surplus		-	1 151
Reserves		-	21 431
Total equity		5 396	23 218

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	22		
Contingent assets and liabilities	23		

Statement of Changes in Equity for the year ended 30 June 2013

	Funds retained for capital purposes $'000	Revaluation surplus $'000	Building mainten-ance reserve $'000	Capital asset reserve (note 21) $'000	Keno prize reserve $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2011	636	1 151	41	17 557	4 861	-	24 246
Profit after income tax equivalent for 2011-12	-	-	-	-	-	22 237	22 237
Total comprehensive result for 2011-12	-	-	-	-	-	22 237	22 237
Transfers:							
From retained earnings	-	-	-	2 000	2 565	(4 565)	-
To retained earnings	-	-	-	(2 340)	(3 253)	5 593	-
Dividend contribution to SA Government	-	-	-	-	-	(23 265)	(23 265)
Balance at 30 June 2012	636	1 151	41	17 217	4 173	-	23 218
Profit after income tax equivalent for 2012-13	-	-	-	-	-	14 128	14 128
Total comprehensive result for 2012-13	-	-	-	-	-	14 128	14 128
Transfers:							
From retained earnings	-	-	-	887	1 212	(2 099)	-
To retained earnings	(636)	(1 151)	(41)	(18 104)	(4 307)	24 239	-
Reserve paid to Master Agent	-	-	-	-	(1 078)	-	(1 078)
Dividend contribution to SA Government	-	-	-	-	-	(15 918)	(15 918)
Special dividend contribution to SA Government	-	-	-	-	-	(14 954)	(14 954)
Balance at 30 June 2013	-	-	-	-	-	5 396	5 396

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

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash inflows:			
Receipts from customers		435 413	388 275
SA Government subsidy	7	7 526	-
Interest received		1 192	2 454
GST received from ATO		7 263	4 862
Cash generated from operations		451 394	395 591
Cash outflows:			
Prizes paid		(270 510)	(249 711)
Payments to suppliers and employees		(25 798)	(25 445)
Master Agent fee payments		(30 826)	-
GST paid to ATO		(17 619)	(15 611)
Distribution to the Hospitals Fund and Recreation and Sport Fund:			
Gambling tax	24	(74 872)	(68 141)
Dividend	24	(16 616)	(24 019)
Special dividend	24	(14 954)	-
Unclaimed prizes	24	(2 582)	(1 599)
Distribution to the Hospitals Fund for income tax equivalent	24	(5 975)	(9 788)
Cash used in operations		(459 752)	(394 314)
Net cash provided by (used in) operating activities	25	(8 358)	1 277
Cash flows from investing activities:			
Cash inflows:			
Proceeds from sale of property, plant and equipment		1 662	-
Cash outflows:			
Purchase of property, plant and equipment		(208)	(343)
Net cash provided by (used in) investing activities		1 454	(343)
Net increase (decrease) in cash and cash equivalents		(6 904)	934
Cash and cash equivalents at 1 July		53 480	52 546
Cash and cash equivalents at 30 June	25	46 576	53 480

Notes to and forming part of the financial statements

1. Establishment and function of the Lotteries Commission of South Australia (SA Lotteries or the Commission)

The Commission, established under the *State Lotteries Act 1966*, commenced operations on 15 May 1967 with the primary function of promoting and conducting lotteries in South Australia.

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, commencing 11 December 2012.

The terms and conditions of the appointment and ongoing operation are governed by the transaction documents. The transaction documents comprise the following:

(i) Executed between the Treasurer and Tatts:

- Implementation Deed
- Treasurer's Agency Fees Guarantee and Payment Deed.

1. Establishment and function of the Lotteries Commission of South Australia (SA Lotteries or the Commission) (continued)

(ii) Executed between the Commission and Tatts:

- Master Agency Agreement
- Intellectual Property Licence Deed
- Business Assets Sale Deed
- Operations Deed.

In addition, the Commission and Tatts have executed the Transitional Services Agreement for the 18 month period commencing 11 December 2012.

2. Summary of significant accounting policies

(a) Statement of compliance

The Commission has prepared these financial statements in compliance with section 23 of the PFAA.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and comply with TIs and APSs promulgated under the provisions of the PFAA.

The Commission has applied AASs that are applicable to for-profit entities, as the Commission is a for-profit entity. AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ended 30 June 2013 (refer note 3).

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and management to exercise its judgment in the process of applying the Commission'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

- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures that have been included in this financial report:

  (a) revenues, expenses, receivables and payables where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature

  (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income and note 10). (The term 'consultant' is defined in APF II, APS 4.6.)

  (c) employee TVSP information

  (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees

  (e) Commission members and remuneration information, where a Commission member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

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

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

The accounting policies set out below have been applied consistently in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented.

(c) Reporting entity

The reporting entity comprises all activities of the Commission. This includes the Lotteries Fund established under section 16(1) of the *State Lotteries Act 1966*. From 11 December 2012, Tatts holds and operates the Lotteries Fund for and on behalf of the Commission.

(d) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or 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) Taxation

Tax equivalent regime

In accordance with TI 22, the Commission was required to pay to the State Government an income tax equivalent. The income tax liability was based on the State taxation equivalent regime which applied the accounting profits method. This required that the corporate income tax rate be applied to net profit. Following the appointment of Tatts as Master Agent on 11 December 2012, no payments have been made under the tax equivalent regime.

The Commission is liable for payroll tax, FBT, GST, Emergency Services levy, land tax equivalent and local government rate equivalents.

GST

The Commission, in accordance with section 16(3)(b) of the *State Lotteries Act 1966*, is required to pay GST of one eleventh of net gambling revenue (NGR), being gross sales less total prizes paid, direct to the ATO. The GST on NGR is treated as a cost of sales.

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

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

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

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

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

(g) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Commission 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.

Note 28 discloses income where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

(g) Income (continued)

The following are specific recognition criteria:

- Sales revenue for Saturday X Lotto, Monday and Wednesday X Lotto, Oz Lotto, Powerball, Keno, Super 66 and The Pools is recognised as at the date of the draw. For these games, sales revenue as at 30 June for draws or competitions subsequent to that date are treated as sales in advance. Sales revenue for Instant Scratchies is recognised as tickets are sold.
- Interest revenue is recognised on a time proportionate basis as it accrues, taking into account the effective yield on the financial asset.
- Revenues from SA Government are recognised as income when the Commission obtains control of the subsidy and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).
- Revenues from fees and charges are derived from the provision of goods and services. This revenue is recognised upon delivery of the goods or services to the recipients.

From 11 December 2012, the costs and disbursements incurred by the Commission in providing agreed services to Tatts have been recovered from Tatts, in accordance with an agreed formula contained in the Transitional Services Agreement.

(h) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Commission 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.

Note 28 discloses expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Cost of sales expenses

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

Employee benefits expenses

Employee benefits expenses include all costs related to employment, including salaries and leave entitlements. These are recognised when incurred.

Superannuation expenses charged in the Statement of Comprehensive Income represent:

- contributions made by the Commission to the superannuation plans in respect of current employees
- defined benefits accrued during the reporting period.

Note 2(n) provides further details.

Supplies and services

Supplies and services generally represent the day-to-day running costs, including maintenance and occupancy costs, incurred in the normal operations of the Commission. These items are recognised as an expense in the reporting period in which they are incurred.

Deprecation and amortisation of non-current assets

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

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, which is a change in accounting estimate.

Deprecation and amortisation of non-current assets (continued)
The value of leasehold improvements is amortised over the estimated remaining useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Land is not depreciated.

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

Class of assets	*Estimated remaining useful life (years)*
Plant and equipment	2
Online lotteries system	2
Leasehold improvements	2

(i) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. The Commission 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 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.

(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.

Note 28 discloses receivables where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

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

The Commission’s bank account is held with Westpac Banking Corporation in an at call deposit account. Cash held by Tatts for game related obligations, on behalf of the Commission, is held with Westpac Banking Corporation.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

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

From 11 December 2012, all game related receivables have been administered by Tatts on behalf of the Commission.

Sundry receivables
Sundry receivables are generally receivable within 14 days and are carried at amounts due.

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

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

From 11 December 2012, all game related prize settlements receivable from Blocs have been administered by Tatts on behalf of the Commission.

Inventories
Ownership of all game related inventories was transferred to Tatts as part of the aggregate consideration paid for the rights to operate SA Lotteries' brands and products.

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

All non-current assets with a value of $2000 or more are capitalised.

Assets listed in the Business Assets Sales Deed were purchased by Tatts. The consideration paid for these assets forms part of the aggregate consideration paid by Tatts for the rights to operate SA Lotteries' brands and products.

As at 30 June 2013, assets related to the online lotteries system had not transferred to Tatts, as the GTECH Agreement had not novated in favour of Tatts.

Revaluation of non-current assets
All non-current tangible assets are valued at written down current cost (a proxy for fair value). Revaluation of non-current assets is only performed when their fair value is greater than $1 million and estimated useful life is greater than three years.

The Commission obtains an independent valuation of such assets at least every five years. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the 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.

The Commission has taken the exemption available under APF III, APS 3.8 to take asset revaluation adjustments to the revaluation surplus on a class basis rather than an individual asset basis.

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

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

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

Impairment
All non-current tangible and intangible assets are tested for indications of impairment at each reporting date. If there was an indication of impairment, the recoverable amount would be estimated. An amount by which the asset's carrying amount exceeds the recoverable amount would be recorded as an impairment loss. For revalued assets, an impairment loss would be offset against the revaluation surplus.

(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.

Note 28 discloses payables where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

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

From 11 December 2012, all game related payables have been administered by Tatts on behalf of the Commission.

Creditors and accrued expenses
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 Commission.

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.

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

Amounts payable for prizes won in South Australia are generally available for payment the day following the draw, or in the case of Instant Scratchies and minor Keno prizes, on the date of sale or draw. Division 1 and 2 prizes for lotto matrix type games are normally paid 14 days after the date of draw in accordance with the lotteries' rules. Amounts payable to Blocs represent monies due to other lottery operators for prizes won in interstate jurisdictions. Settlement of amounts payable to Bloc members are normally due 14 days after the date of the draw.

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

From 11 December 2012, all prizes payable have been administered by Tatts on behalf of the Commission.

Employment on-costs
Employment on-costs include superannuation contributions, payroll tax and WorkCover levies with respect to outstanding liabilities for salaries, LSL, annual leave and skills and experience retention leave. Employment on-costs are settled when the respective employee benefit that they relate to is discharged.

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

Salaries, annual leave, skills and experience retention leave and sick leave
The liability for salaries is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability and the skills and experience retention leave liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages, annual leave and skills and experience retention leave liability are payable later than 12 months, the liability will be measured at present value.

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

LSL
The liability for LSL 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 LSL is based on actuarial assumptions over expected future salary levels, experience of employee departures and periods of service. The 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.

LSL (continued)

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

Unclaimed Prizes Reserve

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

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

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

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

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

From 11 December 2012, the Unclaimed Prizes Reserve has been administered by Tatts on behalf of the Commission.

Distribution of funds to government

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

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

From 11 December 2012, gambling tax is paid by Tatts on behalf of the Commission to the State.

As detailed in note 2(f), the Commission is required to make tax equivalent payments as a result of the application of the tax equivalent regime. In accordance with the provisions of the *State Lotteries Act 1966* and TI 22, the transfer of funds to the Hospitals Fund is reflected in the financial statements in the form of:

(i) a gambling tax of 41% on NGR in respect of all lotteries conducted by the Commission except sports lotteries, special lotteries and special appeal lotteries

(ii) an income tax equivalent payment (calculated on the accounting profits method), recorded as an expense item in the Statement of Comprehensive Income

(iii) a dividend, represented by net profit after income tax equivalent payment and increased/decreased by funds retained for certain designated purposes

(iv) unclaimed prizes.

In addition, as at 10 December 2012, surplus cash over and above game related liabilities held in the Lotteries Fund of the Commission, was paid to the State in accordance with the Implementation Deed.

The composition of all amounts due and payable to Government on account of the Hospitals Fund and Recreation and Sport Fund is detailed in note 24.

(l) Special appeal lotteries

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

No special appeal lotteries were conducted during the financial year.

(m) Operating leases

The Commission has an accommodation lease agreement for its head office and an operating lease for the remote computer site. In respect of these operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased assets.

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.

(n) Superannuation

The Commission has an established superannuation plan for its employees, the Lotteries Commission of South Australia Superannuation Plan (the Plan), a subplan of the Mercer Super Trust. The Plan provides lump sum benefits on retirement, death, disablement and withdrawal. Some categories of members receive only defined contribution, accumulation style benefits. The defined benefit section of the Plan is closed to new members. All new members receive accumulation only benefits. The defined contribution (accumulation style) section receives fixed contributions from the Commission and the Commission's obligation is limited to these contributions. The withdrawal benefit for defined benefit members may be taken immediately or deferred until preservation age.

The liability for the defined benefit section of the Plan has been determined via an actuarial valuation by Stuart Mules, FIAA (Mercer Investment Nominees Limited) using the projected unit credit method. The report was dated 5 July 2013.

Actuarial gains and losses are recognised in full, directly in profit and loss in the period in which they occur, and are presented in the Statement of Comprehensive Income.

The superannuation expense of the defined benefit section of the Plan is recognised as and when the contributions become payable and consist of current service cost, interest cost, actuarial gains and losses, and past service cost.

The defined benefit superannuation plan asset/liability recognised in the Statement of Financial Position represents the surplus/deficit of the fair value of the defined benefit superannuation plan assets over the present value of the defined benefit obligation to members. The expected payment to settle the obligation has been determined using national government bond market yields with terms and conditions that match, as closely as possible, to estimated cash outflows.

The Commission also contributes to other externally managed superannuation plans. These contributions are expensed when they fall due and the Commission's obligation is limited to these contributions.

(o) Funds retained for capital purposes

The Commission's funds retained for capital purposes which represented the historical cost of the investment in land and buildings at 24-26 Payneham Road, Stepney (warehouse) were paid to the SA Government following the sale of the property on 2 July 2012.

(p) Revaluation surplus

This surplus is used to record increments and decrements in relation to the fair value of land and buildings and the online lotteries system. Relevant amounts are transferred to retained earnings when an asset is disposed of or derecognised.

(q) Reserves

Building maintenance reserve

This reserve was established to meet future major building maintenance costs.

Capital asset reserve
This reserve was established to contribute to the financing of the cost of replacement of the online lotteries system hardware and software, and the purchase of other non-current assets. Cash to support this reserve, as at 10 December 2012, was transferred to the State prior to completion in accordance with the Implementation Deed.

Keno prize reserve
This reserve was established to meet Keno Spot 10 prizes. The reserve has been funded from retained earnings as a proportion of all Keno Spot 10 gross sales through the Commission's agents and ACTTAB Limited. To the extent possible, the equivalent value of the Keno Spot 10 prize won is transferred from the reserve to retained earnings and paid to the Hospitals Fund.

From 11 December 2012, the Spot 10 $1 million guaranteed amount and the accrued jackpot amount was paid to, and is held for and on behalf of the Commission, by Tatts.

(r) Unrecognised contractual commitments
Commitments include those from capital and operating commitments arising from contractual sources and are disclosed at their nominal value.

(s) Insurance
The Commission has arranged through SAICORP, a division of SAFA, to insure all major risks of the organisation. The excess payable under this arrangement varies depending on each class of insurance held.

(t) Events after the reporting period
Where an event occurs after 30 June and before the date the financial statements are authorised for issue, and those events provide information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements. Note disclosure is made where there is a material impact on the results of subsequent years.

3. New and revised accounting standards and policies
The Commission did not voluntarily change any of its accounting policies in 2012-13.

AASs and interpretations that have recently been issued or amended, but are not yet effective, have not been adopted for the reporting period ended 30 June 2013. The Commission 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 Commission.

4. Related party
The Commission is controlled by the SA Government. Transactions and balances between the Commission and related parties (ie other SA Government controlled entities) are disclosed in note 28.

5. Sales revenue	2013	2012
	$'000	$'000
Saturday X Lotto	144 643	153 216
Monday and Wednesday X Lotto	36 483	37 422
Oz Lotto	67 383	46 695
Powerball	68 027	44 347
Keno	104 922	99 407
Instant Scratchies	38 506	40 737
Super 66	1 489	1 114
The Pools	692	694
Total sales revenue	462 145	423 632

Sales revenue includes agents' commissions.

6. Cost of sales		
Prizes	278 721	257 120
Gambling tax on NGR	75 202	68 270
Agents' commissions	34 233	31 538
GST on NGR paid to ATO	16 690	15 138
Total cost of sales	404 846	372 066

7. Revenues from SA Government

	2013 $'000	2012 $'000
Revenues from SA Government	7 526	-
Total revenues from SA Government	7 526	-

Following the appointment of Tatts as the Commission's exclusive Master Agent to operate SA Lotteries' brands and products, effective from 11 December 2012, the Commission is now funded by a subsidy from the SA Government.

8. Other revenues

	Note	2013 $'000	2012 $'000
Agents' fees and charges		1 934	3 922
Easiplay Club service fees		276	590
Reimbursements from Master Agent		6 945	-
Sundry		605	598
Total other revenues		9 760	5 110

9. Employee benefits expenses

	Note	2013 $'000	2012 $'000
Salaries (including annual leave)		7 349	6 375
TVSPs (refer below)		357	-
LSL		31	468
Skills and experience retention entitlement		26	-
Employment on-costs - superannuation contributions	27(j)	689	916
Increase (Decrease) in carrying value of defined benefit superannuation plan liability	27(e)	(948)	1 181
Employment on-costs - other		527	486
Commission members' fees		98	126
Total employee benefits expenses		8 129	9 552

Remuneration of employees

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, retention payments, superannuation contributions, salary sacrifice benefits, fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received or receivable by these employees for the year was $2.104 million ($1.093 million).

The number of employees whose remuneration received or receivable falls within the following bands:	2013 Number	2012 Number
$148 000 to $157 999	-	1
$168 000 to $177 999	-	1
$178 000 to $187 999	-	1
$238 000 to $247 999	-	1
$278 000 to $287 999	1	-
$298 000 to $307 999	1	-
$318 000 to $327 999	1	-
$328 000 to $337 999	1	1
$868 000 to $877 999	1	-
Total	5	5

Key management personnel compensation

The key management personnel are the Commission members and the senior management team (including the Chief Executive) who have responsibility for the strategic direction and management of the Commission.

Commission members

The following persons held the position of member of the Commission:

H J Ohff, PhD, BA (Hons), FIEAust, CPEng - Presiding Member	1 July 2012 to 31 March 2013
W R Jackson, BEc, FASA	1 July 2012 to 31 March 2013
W R Jackson, BEc, FASA - Presiding Member	1 April 2013 to 30 June 2013
S J Mackenzie, B Comm (Accounting), LLB (Hons)	1 July 2012 to 30 June 2013
A E Lindsay, BA (Hons), LLB (Hons)	1 July 2012 to 21 March 2013
A E Heyworth, BA (Acc), MBA (AGSM), SF Fin, FAICD*	1 July 2012 to 7 February 2013
J R Roache*	1 April 2013 to 30 June 2013

Commission members' remuneration

The total remuneration received and receivable by Commission members includes fees, superannuation contributions, FBT and professional indemnity insurance paid on behalf of Commission members.

	2013 Number	2012 Number
The number of Commission members whose remuneration received or receivable falls within the following bands:		
$0 to $9 999	2	1
$10 000 to $19 999	1	-
$20 000 to $29 999	1	1
$30 000 to $39 999	2	2
$40 000 to $49 999	-	1
Total	6	5

	2013 $'000	2012 $'000
Total remuneration received or receivable by Commission members	115	152

* In accordance with DPC Circular 16, State Government employees did not receive any remuneration for Commission duties during the financial year.

No Commission member has entered into a contract with the Commission since the end of the previous financial year. The Commission's agent training agreement which expired on 30 June 2013 was entered into with the South Australian Employers' Chamber of Commerce and Industry Inc trading as Business SA. The Chief Executive/Commission member J R Roache is a member of the Board of Business SA and was absent at all times the agreement was under consideration.

Senior management team

The senior management team comprised the following persons for the full financial year unless otherwise stated:

J R Roache, BAcc, Grad Cert Mgt (Monash), FAICD, FCPA, FAIM, CPMgr - Chief Executive	
C I McSporran, BEc - Chief Financial Officer	1 July 2012 to 10 May 2013
C M Mulvihill, BComm, CPA, MBA - General Manager Marketing and Sales	1 July 2012 to 10 June 2013
J F Favretto, BA - General Manager Information and Communications Technology and Transition	
D G Hardy, LLB, BA, GDLP - General Manager Legal and Compliance	
C J Yeeles, BComm, CPA - Finance Manager	11 May 2013 to 30 June 2013

The compensation of key management personnel included in employee benefits expenses is as follows:	2013 $'000	2012 $'000
Short-term employee benefits	2 025	1 046
Post-employment benefits**	190	202
Long-term employee benefits	14	19
Total key management personnel compensation	2 229	1 267

** Post-employment benefits include an allocation of the change in the defined benefit superannuation plan liability to key management personnel based on the share of the defined benefit obligation.

TVSPs

Amounts paid/payable during the reporting period to separated employees:		
TVSPs	357	-
Annual leave and LSL	70	-
Recovery received/receivable from DTF	(357)	-
Net cost to the Commission	70	-

The number of employees to whom TVSPs were paid/payable during the reporting period was 6 (0).

10. Supplies and services

	2013 $'000	2012 $'000
Marketing and promotions	4 037	6 837
Computer operations	3 344	3 043
Tickets, coupons, terminal rolls and ribbons	1 748	1 883
Operating leases	882	662
Other occupancy costs	582	584
Distribution and freight to agents	128	261
Motor vehicle fleet costs	166	216
Internal audit fees	97	166
External audit fees	160	150
Training costs	148	109
Insurance	39	57
Temporary staff and contractors	59	67
Gambling tax - other	(5)	23
Consultancies	18	5
Bad debts	5	-
Other	926	1 364
Total supplies and services	12 334	15 427

Consultancies

The number and dollar amount of consultancies paid/payable (included in supplies and services) that fell within the following bands:	2013 Number	2013 $'000	2012 Number	2012 $'000
Below $10 000	-	-	2	5
Between $10 000 and $50 000	1	18	-	-
Above $50 000	-	-	-	-
Total paid/payable to consultants engaged	1	18	2	5

11. Master Agent fee

	2013 $'000	2012 $'000
Gross sales	247 103	-
Prizes	(148 700)	-
Gambling tax on NGR	(40 345)	-
GST on NGR	(8 945)	-
Gross Master Agent fee (including agents' commissions)	49 113	-
Agents' commissions	(18 287)	-
Net Master Agent fee	30 826	-

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

12. Depreciation and amortisation expense

	2013 $'000	2012 $'000
Depreciation:		
Buildings	-	45
Plant and equipment	122	215
Online lotteries system	4 216	1 869
Total depreciation	4 338	2 129
Amortisation:		
Leasehold improvements	318	257
Total amortisation	318	257
Total depreciation and amortisation	4 656	2 386

During the year, the Commission reassessed the useful life of the online lotteries system, resulting in a reduction in the estimated useful life. This has resulted in an increase of $2.349 million in the amount of depreciation calculated on these assets in the 2012-13 financial year relative to the amount that would have been expensed based on the previous estimate of the useful life. The higher depreciation expense will also be reflected in 2013-14.

During the year, the Commission reassessed the useful life of the leasehold improvements, resulting in a reduction in the estimated useful life. This has resulted in an increase of $65 000 in the amount of amortisation calculated on these assets in the 2012-13 financial year relative to the amount that would have been expensed based on the previous estimate of the useful life. The higher amortisation expense will also be reflected in 2013-14.

13. Net gain (loss) from disposal of non-current assets

	2013 $'000	2012 $'000
Proceeds from disposal	1 662	21
Net book value of assets disposed	(1 630)	(25)
Net gain (loss) from disposal of non-current assets	32	(4)

Assets are derecognised on disposal or when no future economic benefits are expected from the asset's use or disposal.

Warehouse property:		
Proceeds from disposal	1 660	-
Net book value of assets disposed	(1 455)	-
Net gain (loss) from disposal of non-current assets	205	-
Sundry assets:		
Proceeds from disposal	2	21
Net book value of assets disposed	(62)	(25)
Net gain (loss) from disposal of non-current assets	(60)	(4)
Assets transferred to Tatts:		
Proceeds from disposal	-	-
Net book value of assets disposed	(113)	-
Net gain (loss) from disposal of non-current assets	(113)	-

The proceeds from disposal of the assets transferred to Tatts on 11 December 2012 form part of the aggregate consideration paid by Tatts to the State for the right to operate the SA Lotteries' brands and products.

14. Auditor's remuneration

Audit services

Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	160	150
Total audit fees	160	150

The Auditor-General is the auditor of the Commission.

Other services

No other services were provided by the Auditor-General.

15. Cash and cash equivalents

Bank balances and cash on hand	1 567	8 980
Short-term deposits	-	44 500
Funds held by the Master Agent	45 009	-
Total cash and cash equivalents	46 576	53 480

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

Interest rate risk

Cash on hand is non-interest bearing. For the period 1 July 2012 to 10 December 2012, the bank balance earned a floating interest rate based on daily bank deposit rates. The weighted average interest rate earned was 3.62% (4.61%).

From 11 December 2012, the bank balance is non-interest bearing.

Net fair values

The carrying amount of cash and cash equivalents represents fair value.

16. Receivables

	2013	2012
Current:	$'000	$'000
Agent debtors	2 133	3 756
Prize settlements receivable from Blocs	1 108	17 433
Sundry receivables	2 436	446
Prepayments	8	214
Total current receivables	5 685	21 849
Non-current:		
Prepayments	-	136
Total non-current receivables	-	136
Total receivables	5 685	21 985

Ageing analysis of receivables

	Past due by			
	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2013	$'000	$'000	$'000	$'000
Sundry receivables	2	4	3	9

Interest rate risk

All receivables are non-interest bearing.

Credit risk

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

Net fair values

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

17. Property, plant and equipment

	2013	2012
Land and buildings:	$'000	$'000
Land at fair value	-	920
Buildings at fair value	-	580
Accumulated depreciation	-	(45)
Total land and buildings	-	1 455
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	310	2 160
Accumulated depreciation	(228)	(1 786)
Total plant and equipment	82	374
Online lotteries system:		
Online lotteries system at cost (deemed fair value)	13 395	13 214
Accumulated depreciation	(8 246)	(4 032)
Total online lotteries system	5 149	9 182
Work in progress:		
Leasehold improvements at cost (deemed fair value)	-	-
Online lotteries system at cost (deemed fair value)	116	93
Total work in progress	116	93
Leasehold improvements:		
Leasehold improvements at cost (deemed fair value)	2 465	2 475
Accumulated amortisation	(2 048)	(1 738)
Total leasehold improvements	417	737
Total property, plant and equipment	5 764	11 841

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2012-13 and 2011-12:

Reconciliation of property, plant and equipment (continued)

2013	Carrying amount 01.07.12 $'000	Additions $'000	Assets derecognised (incl disposals) $'000	Transfers $'000	Depreciation and amortisation $'000	Carrying amount 30.06.13 $'000
Land	920	-	(920)	-	-	-
Buildings	535	-	(535)	-	-	-
Plant and equipment	374	-	(170)	-	(122)	82
Online lotteries system	9 182	2	(3)	184	(4 216)	5 149
Work in progress	93	207	-	(184)	-	116
Leasehold improvements	737	-	(2)	-	(318)	417
Total	11 841	209	(1 630)	-	(4 656)	5 764

2012	Carrying amount 01.07.11 $'000	Additions $'000	Assets derecognised (incl disposals) $'000	Transfers $'000	Depreciation and amortisation $'000	Carrying amount 30.06.12 $'000
Land	920	-	-	-	-	920
Buildings	580	-	-	-	(45)	535
Plant and equipment	505	89	(5)	-	(215)	374
Online lotteries system	10 836	179	(2)	38	(1 869)	9 182
Work in progress	39	93	-	(39)	-	93
Leasehold improvements	1 008	3	(18)	1	(257)	737
Total	13 888	364	(25)	-	(2 386)	11 841

Land and buildings assets were comprised entirely of the Stepney warehouse.

Valuation of property, plant and equipment

The valuation of the warehouse was performed by Simon Hickin, AAPI, Certified Practicing Valuer, an independent valuer from Jones Lang LaSalle, as at 30 June 2011. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use and was determined on an in-use value, assuming a fully tenanted (subject to a notional five plus five year lease back) basis. The property was sold on 2 July 2012 (refer note 13).

The carrying amount of property, plant and equipment that would have been recognised if these assets were stated at cost is:	Note	2013 $'000	2012 $'000
Land and buildings		-	324
Plant and equipment		82	374
Online lotteries system		5 149	9 182
Work in progress		116	93
Leasehold improvements		417	737
Total carrying amount of property, plant and equipment that would have been recognised if these assets were stated at cost		5 764	10 710

Impairment

There were no indications of impairment of plant and equipment assets at 30 June 2013.

18. Payables

	Note	2013	2012
Current:			
Creditors and accrued expenses		821	1 738
Prizes payable		15 793	31 277
GST payable		653	1 010
Undistributed funds	24	6 649	7 461
Employment on-costs		226	106
Total current payables		24 142	41 592
Non-current:			
Prizes payable		1 350	1 575
Employment on-costs		10	136
Total non-current payables		1 360	1 711
Total payables		25 502	43 303

18. Payables (continued)

Based on an actuarial assessment performed by DTF, the percentage of LSL expected to be taken as leave has remained at 40%. This rate is used in the calculation of employment on-costs.

Interest rate risk

All payables are non-interest bearing.

Net fair values

The carrying amount of payables represents fair value due to the amounts being payable on demand.

19. Employee benefits

		2013	2012
Current:	Note	$'000	$'000
Annual leave		496	541
LSL		1 345	175
Skills and experience retention entitlement		26	-
Total current employee benefits		1 867	716
Non-current:			
LSL		103	1 300
Defined benefit superannuation plan liability	27(d)	654	1 602
Total non-current employee benefits		757	2 902
Total employee benefits		2 624	3 618
Total current and non-current employee liability (ie total employee benefits) plus employment on-costs (note 18) is:		2 860	3 860

AASB 119 contains the calculation methodology for LSL liability. This year the actuarial assessment performed by DTF has provided a set level of liability rather than a benchmark for the measurement of LSL. The effect of the change relating to the current period is immaterial.

20. Other liabilities

	2013	2012
Current:	$'000	$'000
Prize Reserve Fund[(a)]	9 577	8 659
Keno prize reserve[(b)]	1 612	-
Monday and Wednesday X Lotto Division 1 prize reserve[(c)]	2 775	1 194
Unearned revenue - sales in advance	1 924	1 282
Total current other liabilities	15 888	11 135
Non-current:		
Unclaimed Prizes Reserve[(d)]	8 615	6 603
Total non-current other liabilities	8 615	6 603
Total other liabilities	24 503	17 738

	2013	2012
(a) Prize Reserve Fund:		
Balance at 1 July	8 659	8 349
Allocated to Prize Reserve Fund	11 418	14 681
Applied to additional or increased prizes	(10 500)	(14 371)
Balance at 30 June	9 577	8 659

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

	2013	2012
(b) Keno prize reserve:	$'000	$'000
Balance at 11 December	1 078	-
Allocated to prize reserve	534	-
Balance at 30 June	1 612	-

In accordance with the game rules, the Keno prize reserve is funded by 32.967% of Keno Spot 10 net sales (gross sales less agents' commissions) to meet Keno Spot 10 prizes.

20. Other liabilities (continued)

	2013	2012
(c) Monday and Wednesday X Lotto Division 1 prize reserve:	$'000	$'000
Balance at 1 July	1 194	-
Allocated to prize reserve	9 148	3 874
Applied to prizes	(7 567)	(2 680)
Balance at 30 June	2 775	1 194

In accordance with the game rules, the Monday and Wednesday X Lotto Division 1 prize reserve is funded by 27% of net sales (gross sales less agents' commissions).

(d) Unclaimed Prizes Reserve:		
Balance at 1 July	6 603	6 939
Unclaimed monies forfeited	5 099	3 870
Balance before distributions	11 702	10 809
Monies provided for distribution to the Hospitals Fund	(2 549)	(1 828)
Monies provided for distribution to the Recreation and Sport Fund	(1)	(1)
Applied to additional or increased prizes in subsequent lottery draws, prizes in promotional lotteries or ex gratia payments	(537)	(2 377)
Balance at 30 June	8 615	6 603

21. Capital asset reserve

Capital asset reserve comprises:		
Capital fund account	-	6 032
Capital fund assets (at written down value)	-	11 185
	-	17 217
Capital Fund account:		
Balance at 1 July	6 032	4 396
Transfer from retained earnings	887	2 000
Transfer to SA Government	(6 710)	-
Assets financed	(209)	(364)
Balance at 30 June	-	6 032
Capital Fund assets:		
Written down value at 1 July	11 185	13 161
Assets financed	209	364
Depreciation	(1 085)	(2 315)
Transfer to SA Government	(6 048)	-
Transfer to retained earnings	(4 086)	-
Written down value of assets disposed of	(175)	(25)
Written down value at 30 June	-	11 185

The cash balance of the capital asset reserve was transferred to the Consolidated Account as part of the special dividend.

22. Unrecognised contractual commitments

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	-	167
Total capital commitments	-	167

Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	677	879
Later than one year but not longer than five years	-	776
Later than five years	-	-
Total operating lease commitments	677	1 655
Representing:		
Non-cancellable operating leases	579	1 360

Operating lease commitments (continued)

The 10-year accommodation operating lease at head office is non-cancellable with rent payable monthly in advance. Rental provisions within the lease agreement require future lease payments to be increased by 3% p.a. The lease term expires on 3 May 2014.

Commencing 2 July 2012, the Commission entered into a 12 month lease with no extension options for the warehouse at 24-26 Payneham Road, Stepney. Rent is payable monthly in advance.

The Commission's remote computer site is occupied with the consent of the Office of the Chief Information Officer. This operating lease is cancellable.

Other commitments	2013	2012
Other expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:	$'000	$'000
Within one year	1 749	2 900
Later than one year but not longer than five years	1 650	3 294
Total other commitments	3 399	6 194

The Commission's other commitments are for existing agreements relating to online lotteries system software, hardware, communication and associated services and other fixed services.

Master Agent fee

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

23. Contingent assets and liabilities

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

The Commission has made no guarantees.

24. Distribution of funds to SA Government

	Commission	Distribution				Commission	Master Agent
	Balance	Provided		(Paid)		Balance	Balance
	1.07.12	Commission	Master Agent	Commission	Master Agent	30.06.13	30.06.13
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gambling tax (notes 6,10)	5 852	34 852	40 345	(40 573)	(34 299)	131	6 046
Income tax equivalent	455	5 568	-	(5 975)	-	48	-
Dividend	810	15 918	-	(16 616)	-	112	-
Special Dividend	-	14 954	-	(14 954)	-	-	-
Unclaimed prizes	344	1 111	1 439	(1 456)	(1 126)	-	312
Totals 2012-13	7 461	72 403	41 784	(79 574)	(35 425)	291	6 358
Totals 2011-12	8 090	102 918	-	(103 547)	-	7 461	-
Comprising:							
Distribution to Hospitals Fund:							
Gambling tax	5 823	34 789	40 241	(40 481)	(34 207)	131	6 034
Income tax equivalent	455	5 568	-	(5 975)	-	48	-
Dividend	789	15 875	-	(16 552)	-	112	-
Special dividend	-	12 770	-	(12 770)	-	-	-
Unclaimed prizes	344	1 110	1 439	(1 454)	(1 127)	-	312
Totals	7 411	70 112	41 680	(77 232)	(35 334)	291	6 346
Distribution to Recreation and Sport Fund:							
Gambling tax	29	63	104	(92)	(92)	-	12
Dividend	21	43	-	(64)	-	-	-
Unclaimed prizes	-	1	-	(2)	1	-	-
Totals	50	107	104	(158)	(91)	-	12

24. Distribution of funds to SA Government (continued)

	Commission Balance 1.07.12 $'000	Distribution Provided Commission $'000	Distribution Provided Master Agent $'000	Distribution (Paid) Commission $'000	Distribution (Paid) Master Agent $'000	Commission Balance 30.06.13 $'000	Master Agent Balance 30.06.13 $'000
Distribution to SA Government Consolidated Account:							
Special dividend	-	2 184	-	(2 184)	-	-	-
Totals	-	2 184	-	(2 184)	-	-	-

In 2012-13, distribution of income tax equivalent, dividend and special dividend applies to the period 1 July 2012 to 10 December 2012 only.

25. Cash flow reconciliation

	2013	2012
Reconciliation of cash and cash equivalents:	$'000	$'000
Statement of Financial Position	46 576	53 480
Statement of Cash Flows	46 576	53 480

Reconciliation of net profit (loss) after income tax equivalent to net cash provided by (used in) operating activities

	2013	2012
Profit (Loss) after income tax equivalent	14 128	22 237
Dividend contribution provided	(15 918)	(23 265)
Special dividend contribution provided	(14 954)	-
Keno prize reserve paid to Master Agent	(1 078)	-
Unclaimed prizes distribution provided	(2 550)	(1 829)
Non-cash items:		
Depreciation and amortisation expense	4 656	2 386
Net loss (gain) on disposal of non-current assets	(32)	4
Increase (Decrease) in carrying value of defined benefit superannuation plan net liability	(948)	1 181
Movements in assets/liabilities:		
Receivables	15 832	(18 899)
Inventories	571	64
Payables (including undistributed funds)	(17 454)	16 737
Employee benefits	(46)	430
Other liabilities	9 435	2 231
Net cash provided by (used in) operating activities	(8 358)	1 277

26. Financial risk management

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

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

The Commission has non-interest bearing assets (cash at bank, cash on hand and receivables) and liabilities (payables and other liabilities). The maturity of financial assets and liabilities are disclosed separately in the relevant notes: current items mature in less than 12 months; non-current items mature between one and 10 years.

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

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

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

27. Superannuation

(a) *Expense (Income) recognised in the Statement of Comprehensive Income*

	Note	2013 $'000	2012 $'000
Amounts recognised as expense (income) in respect of the defined benefit superannuation plan are as follows:			
Current service cost		333	292
Interest cost		209	299
Expected return on plan assets		(367)	(400)
Actuarial loss (gain)		(698)	1 499
Effect of curtailments/settlements		(105)	-
Superannuation expense (income)		(628)	1 690
The expense (income) is recognised in the following item in the Statement of Comprehensive Income:			
Employee benefits expenses	27(e)	(628)	1 690

(b) *Reconciliation of the present value of the defined benefit obligation*

	2013 $'000	2012 $'000
Present value of defined benefit obligation at 1 July	7 981	6 641
Current service cost	333	292
Interest cost	209	299
Contributions by plan participants	162	184
Actuarial losses (gains)	(167)	1 087
Benefits paid	(302)	(388)
Taxes, premiums and expenses paid	(122)	(134)
Transfers in	335	-
Curtailments	(105)	-
Present value of defined benefit obligation at 30 June	8 324	7 981

(c) *Reconciliation of the fair value of defined benefit plan assets*

	2013 $'000	2012 $'000
Fair value of plan assets at 1 July	6 379	6 220
Expected return on plan assets	367	400
Actuarial gains (losses)	531	(412)
Employer contributions	320	509
Contributions by plan participants	162	184
Benefits paid	(302)	(388)
Taxes, premiums and expenses paid	(122)	(134)
Transfers in	335	-
Fair value of plan assets at 30 June	7 670	6 379

The fair value of plan assets includes no investments over which the Commission retains ownership control relating to:

- any of the Commission's own financial instruments
- any property occupied by, or other assets used by, the Commission.

(d) *Reconciliation of the asset (liability) recognised in the Statement of Financial Position*

	2013 $'000	2012 $'000
Defined benefit obligation	8 324	7 981
Fair value of plan assets	7 670	6 379
Surplus (Deficit)	(654)	(1 602)
Net superannuation asset (liability)	(654)	(1 602)

The amount included in the Statement of Financial Position arising from the Commission's net superannuation asset/liability in respect of its defined benefit plan is shown in note 19:

	2013 $'000	2012 $'000
Employee benefits (non-current):		
Defined benefit superannuation plan liability	654	1 602

(e)	***Movement in asset (liability) recognised in the Statement of Financial Position***	2013 $'000	2012 $'000
	Net superannuation asset (liability) at 1 July	(1 602)	(421)
	Income (Expense) recognised in Statement of Comprehensive Income	628	(1 690)
	Employer contributions	320	509
	Net movement	948	(1 181)
	Net superannuation asset (liability) at 30 June	(654)	(1 602)

(f)	***Plan assets***	Percentage invested*		Plan assets	
	The percentage invested in each asset class at the reporting date:	2013 %	2012 %	2013 $'000	2012 $'000
	Australian equity	24	26	1 841	1 659
	International equity	34	29	2 608	1 818
	Fixed interest and bonds	19	17	1 457	1 084
	Property	5	7	384	447
	Alternative assets**	14	14	1 074	893
	Cash	4	7	306	478
	Total plan assets	100	100	7 670	6 379

* The asset allocation at 31 May 2013 has been used as an approximation of the allocation as at the reporting date.

** Alternative assets generally comprise those investments which do not fit within the traditional broad asset classes (such as shares, property, fixed interest and cash).

(g) ***Expected rate of return on plan assets***

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets in each class and allowing for the correlations of the investment returns between asset classes. The returns used for each asset class are net of investment tax, investment fees, and asset-based administration fees.

	Expected rate of return	
The expected rate of return for each asset class at 30 June is as follows:	2013 %	2012 %
Australian equity	7.4	7.5
International equity	6.9	6.7
Fixed interest and bonds	4.3	4.7
Property	6.7	6.1
Alternative assets	5.7	5.7
Cash	4.0	3.8
Weighted average expected return	6.30	6.75

(h)	***Actual return on plan assets***	2013 $'000	2012 $'000
	Actual return on plan assets	898	(12)

(i)	***Principal actuarial assumptions***	2013	2012
	The principal actuarial assumptions at the reporting date (expressed as weighted averages):	% p.a.	% p.a.
	Discount rate (active members)	2.6	2.6
	Expected rate of return on plan assets (active members)	6.3	6.3
	Expected salary increase rate	3.5	3.5 commencing 2012-13

(j)	***Contributions***	2013	2012
	Contributions paid/payable by the Commission to superannuation plans:	$'000	$'000
	Defined benefit members	280	485
	Defined contribution (accumulation) members	406	427
	Private funds	3	4
	Total contributions	689	916

(k) ***Expected employer contributions***

	2013	2012
	$'000	$'000
The estimated employer contributions expected to be paid to the plan during the year beginning after the reporting date	242	266

The estimated employer contributions are based on a contribution rate of 14.4% of defined benefit members' salaries (refer note 27(m)(ii)).

(l) ***Historical information***

	2013	2012	2011	2010	2009
	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	8 324	7 981	6 641	6 588	5 717
Fair value of plan assets	7 670	6 379	6 220	6 160	5 391
Surplus (Deficit) in plan	(654)	(1 602)	(421)	(428)	(326)
Experience adjustments gain (loss):					
Plan assets	531	(412)	58	75	(1 220)
Plan liabilities	34	(33)	(188)	(86)	379

(m) ***Funding arrangements for employer contributions***

(i) *Surplus (Deficit)*

The following is a summary of the most recent financial position of the Lotteries Commission of South Australia Superannuation Plan (the Plan) calculated in accordance with AAS 25.

	As at 30.06.12
Defined benefit members:	$'000
Accrued benefits	5 735
Net market value of plan assets	5 601
Net surplus (deficit)	(134)
Accumulation members and additional accumulation accounts for defined benefit members:	
Assets and benefits	3 826

The Plan is subject to a triennial review and is externally managed. The last full actuarial investigation was conducted as at 30 June 2012 by Stuart Mules, FIAA, of Mercer (Australia) Pty Limited. The report was dated 11 April 2013.

(ii) *Current contribution rates*

As at 30 June 2013, the current contribution rates, in accordance with actuarial advice and Commission endorsement, are:

- 14.4% of defined benefit members' salaries effective from 6 July 2009
- at the Superannuation Guarantee rate of 9% of accumulation members' salaries.

(iii) *Future contribution rates*

As at 30 June 2013 contribution rates from 1 July 2013, in accordance with actuarial advice and Commission endorsement, are:

- 17% of defined benefit members' salaries
- at the Superannuation Guarantee rate of 9.25% of accumulation members' salaries.

(iv) *Funding method*

The method used to determine the employer contribution recommendations at the last actuarial review was the target funding method.

Under the target funding method, the employer contribution rate is determined with the aim of maintaining the value of the Plan's assets at least equal to:

- 105% of vested benefits for defined benefit members over the period to the next investigation, plus
- 100% of accumulation account balances.

(v) *Economic assumptions*

The long-term economic assumptions adopted for the last triennial actuarial review of the Plan as at 30 June 2012 were:	*Weighted average assumptions*
	% p.a.
Investment returns (after tax, asset-based administration fees and investment fees)	6.0
Expected salary increase rate	4.0

(n) ***Nature of asset/liability***

The Commission has recognised a liability in the Statement of Financial Position in respect of its defined benefit superannuation arrangements. If a surplus exists in the Plan, the Commission is able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Plan's actuary.

28. Transactions with SA Government

As required by APF II, APS 4.1 the following table discloses revenues, expenses, receivables and payables 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	
		2013	2012	2013	2012	2013	2012
	Note	$'000	$'000	$'000	$'000	$'000	$'000
Income:							
Sales revenue	5	-	-	462 145	423 632	462 145	423 632
Cost of sales:	6						
Prizes		-	-	(278 721)	(257 120)	(278 721)	(257 120)
Gambling tax on NGR		(75 202)	(68 270)	-	-	(75 202)	(68 270)
Agents' commissions		-	-	(34 233)	(31 538)	(34 233)	(31 538)
GST on NGR paid to the ATO		-	-	(16 690)	(15 138)	(16 690)	(15 138)
Total cost of sales		(75 202)	(68 270)	(329 644)	(303 796)	(404 846)	(372 066)
Interest revenue		817	2 022	207	438	1 024	2 460
Revenues from SA Government	7	7 526	-	-	-	7 526	-
Other revenues	8	362	20	9 398	5 090	9 760	5 110
Total income (excluding net gain (loss) from disposal of non-current assets)		(66 497)	(66 228)	142 106	125 364	75 609	59 136
Expenses:							
Employee benefits expenses	9	467	428	7 662	9 124	8 129	9 552
Supplies and services:	10						
Marketing and promotions		-	-	4 037	6 837	4 037	6 837
Computer operations		26	48	3 318	2 995	3 344	3 043
Tickets, coupons, terminal rolls and ribbons		-	-	1 748	1 883	1 748	1 883
Operating leases		105	28	777	634	882	662
Other occupancy costs		9	22	573	562	582	584
Distribution and freight to agents		-	-	128	261	128	261
Motor vehicle fleet costs		166	214	-	2	166	216
Internal audit fees		-	-	97	166	97	166
External audit fees		160	150	-	-	160	150
Training costs		-	-	148	109	148	109
Insurance		38	57	1	-	39	57
Temporary staff and contractors		-	-	59	67	59	67
Gambling tax - other		17	51	(22)	(28)	(5)	23
Consultancies		-	-	18	5	18	5
Bad debts		-	1	5	(1)	5	-
Other		2	14	924	1 350	926	1 364
Total supplies and services		523	585	11 811	14 842	12 334	15 427
Master Agent fee	11	-	-	30 826	-	30 826	-
Total expenses (excluding depreciation and amortisation and net loss from disposal of non-current assets)		990	1 013	50 299	23 966	51 289	24 979
Financial assets:							
Receivables:	16						
Current:							
Agent debtors		-	-	2 133	3 756	2 133	3 756
Prize settlements receivable from Blocs		-	-	1 108	17 433	1 108	17 433
Sundry receivables		110	168	2 326	278	2 436	446
Prepayments		-	-	8	214	8	214
Total current receivables		110	168	5 575	21 681	5 685	21 849
Non-current:							
Prepayments		-	-	-	136	-	136
Total non-current receivables		-	-	-	136	-	136
Total receivables		110	168	5 575	21 817	5 685	21 985

28. Transactions with SA Government (continued)

		SA Government		Non-SA Government		Total	
		2013	2012	2013	2012	2013	2012
Financial liabilities:	Note	$'000	$'000	$'000	$'000	$'000	$'000
Payables:	18						
Current:							
Creditors and accrued expenses		247	263	574	1 475	821	1 738
Prizes payable		-	-	15 793	31 277	15 793	31 277
GST payable		-	-	653	1 010	653	1 010
Undistributed funds		6 649	7 461	-	-	6 649	7 461
Employment on-costs		110	45	116	61	226	106
Total current payables		7 006	7 769	17 136	33 823	24 142	41 592
Non-current:							
Prizes payable		-	-	1 350	1 575	1 350	1 575
Employment on-costs		5	73	5	63	10	136
Total non-current payables		5	73	1 355	1 638	1 360	1 711
Total payables		7 011	7 842	18 491	35 461	25 502	43 303

29. Additional disclosure - sales, cost of sales, receivables and payables

Disclosure of the Commission and Master Agent sales, cost of sales, receivables and payables.

		Commission	Master Agent	Total
		2013	2013	2013
	Note	$'000	$'000	$'000
Sales revenue	5	215 042	247 103	462 145
Cost of sales:	6			
Prizes		(130 021)	(148 700)	(278 721)
Gambling tax on NGR		(34 857)	(40 345)	(75 202)
Agents' commissions		(15 946)	(18 287)	(34 233)
GST on NGR paid to the ATO		(7 745)	(8 945)	(16 690)
Total cost of sales		(188 569)	(216 277)	(404 846)
Receivables	16			
Current:				
Agent debtors		-	2 133	2 133
Prize settlements receivable from Blocs		-	1 108	1 108
Sundry receivables		2 436	-	2 436
Prepayments		8	-	8
Total current receivables		2 444	3 241	5 685
Non-current:				
Prepayments		-	-	-
Total non-current receivables		-	-	-
Total receivables		2 444	3 241	5 685
Payables	18			
Current:				
Creditors and accrued expenses		821	-	821
Prizes payable		-	15 793	15 793
GST payable		653	-	653
Undistributed funds		291	6 358	6 649
Employment on-costs		226	-	226
Total current payables		1 991	22 151	24 142
Non-current:				
Prizes payable		-	1 350	1 350
Employment on-costs		10	-	10
Total non-current payables		10	1 350	1 360
Total payables		2 001	23 501	25 502

Department for Manufacturing, Innovation, Trade, Resources and Energy

Functional responsibility

Establishment

The Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE or the Department) is an administrative unit established under the PSA.

The Chief Executive of the Department is responsible to the following Ministers:

- Minister for the Public Sector
- Minister for Mineral Resources and Energy
- Minister for Manufacturing, Innovation and Trade
- Minister for Small Business
- Minister for Water and the River Murray.

Functions

The functions of the Department are to:

- connect industry, community, investors and opportunities
- enable greater innovation and industry capability
- deliver an effective regulatory environment.

For details of the Department's objectives refer note 1 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the Department for each financial year.

Assessment of controls

Section 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Department in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2012-13, specific areas of audit attention included:

- expenditure, including grants and accounts payable
- employee benefits
- revenue, including fees and charges and receivables
- cash management, including bank reconciliations
- fixed assets
- general ledger
- administered income - royalties.

The audit took into account the controls and procedures performed by service providers including SSSA.

The work of internal audit was considered in planning and conducting the audit programs.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Department for Manufacturing, Innovation, Trade, Resources and Energy as at 30 June 2013, 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.

Assessment of controls

In my opinion, the controls exercised by the Department for Manufacturing, Innovation, Trade, Resources and Energy in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for all matters outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department for Manufacturing, Innovation, Trade, Resources and Energy have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit of DMITRE were detailed in a management letter to the Chief Executive. The main matters raised with DMITRE and the related responses are detailed below.

In addition, matters relating to SSSA as a service provider to DMITRE are also described below.

Expenditure

Draft service design and operating level responsibilities

At the time of the audit accounts payable service design and operating level responsibilities agreements between DMITRE and SSSA had not been finalised and signed.

DMITRE responded that there has been ongoing consultation with SSSA in relation to the finalisation of these documents. SSSA has progressed the global review of the accounts payable service design and operating level responsibilities.

Open purchase orders not reviewed

There is no central monitoring of the level and age of open purchase orders recorded in Basware.

DMITRE responded that policies will be amended to ensure delegates review open purchase orders on a quarterly basis.

Payroll

Review of leave return by employee report

Each month work groups are required to review leave return reports for accuracy and completeness of employees' leave taken during that period. Any discrepancies/errors detected by certifying officers are noted on the leave return and advised to the DMITRE Senior Human Resources Consultant for subsequent actioning by SSSA. The audit found that some work groups are not consistently reviewing leave return reports.

DMITRE responded the human resources area will continue to issue reminder notices to staff in relation to their obligations on a quarterly basis. Further, the relevant procedure will incorporate the requirement to undertake the appropriate reconciliation within the following calendar month.

Bona fide certificates register

A central or divisional register is not maintained to ensure work groups are consistently reviewing bona fide certificates throughout the year.

DMITRE responded that in addition to reminder notices being provided to responsible officers on a quarterly basis, DMITRE will implement a quarterly internal audit process to be undertaken by the human resources area that will randomly sample the divisions' adherence to the bona fide verification requirements.

Royalties

Petroleum royalty allowable deductions

The *Petroleum and Geothermal Energy Act 2000* prescribes how petroleum royalties payable by licensees are calculated. This includes that reasonable expenses incurred by the producer (excluding any GST component) in treating, processing or refining the substance or in transporting the substance to the point of delivery to the purchaser can be subtracted from the sale price upon which the royalty is payable.

The *Petroleum and Geothermal Energy Act 2000* does not specifically define which treating, processing or refining costs or transportation costs are allowable deductible expenses. Instead, senior officers within the former Department of Primary Industries and Resources developed internal guidelines to assist resource royalties officers determine what expenses could be deducted from the sale price when confirming the royalty payable.

Guidelines used by DMITRE for determining what deductions are allowable in the calculation of royalties have not been approved by the Minister or Chief Executive.

DMITRE responded that a procedure has been put in place that will formally review and seek approval and sign-off on an annual basis of the petroleum royalty guidelines. A review process is currently underway, with the annual sign-off of petroleum royalty guidelines expected by December 2013.

The Executive Director of the Energy Resources Division as the delegate of the Minister for Mineral Resources and Energy will provide the appropriate sign-off and approval.

Tenements management system (TMS) – licencing

Reconciliation between TMS and Masterpiece accounts receivable

Reconciliations between TMS and the Masterpiece accounts receivable system are not being prepared and reviewed on a consistent basis.

DMITRE responded that all outstanding reconciliations have been completed. Furthermore, the accounting officer procedure manual will be updated to incorporate a backup process for the reconciliation procedure.

Generation of automatic invoices

Exploration licences renewed for a period of two years or more require the accounting officer to tick the invoice tenement box on the rental page in TMS. Ticking the invoice tenement box will trigger TMS to automatically generate a second invoice near the expiration of the licence's first period.

There is no report to ensure that invoices for the second year of licences whose terms are for a period of two years or more are automatically generated by TMS.

DMITRE responded that it will design a TMS report that will list all exploration licences that have been granted for a term of two or more years, indicating which ones have invoices generated against them in their next term. Furthermore, the Department will update the procedure manual for the Tenement Services Officer to ensure that this report is reviewed on a monthly basis.

Creditor account payment performance

TI 11 prescribes the policy for creditor account payments, including the development of relevant policies and procedures and the preparation of monthly reports on account payment performance to the Minister.

The audit noted the need for updated policies and procedures for TI 11 requirements and for monthly reports to be submitted to the Minister.

In response DMITRE advised that policies and procedures would be updated by September 2013 and account payment performance reports would be included in DMITRE's monthly reports and provided to the Minister.

Shared Services SA – CHRIS payroll control environment

SSSA processes payroll transactions specific to the CHRIS HRMS system on behalf of DMITRE in accordance with a service level determination with SSSA.

The audit of payroll transactions considered the payroll process and control environments of SSSA and the external bureau provider of the CHRIS HRMS payroll service to SSSA.

Review of the process and control environments in previous years has identified SSSA key control weaknesses covering segregation of duties and user access and certain security limitations of the CHRIS 5 application provided by the bureau service.

As SSSA implemented significant remediation action during the year, it was not effective throughout the entire year. As such the process and control environment could not be considered robust and effective for the 2012-13 financial year. Also the planned migration of payroll processing from CHRIS 5 to CHRIS 21, which would address security limitations, is yet to occur.

This matter is further discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report.

Shared Services SA – accounts payable and electronic payment control environments

SSSA operates an accounts payable function which involves the processing of transactions on behalf of DMITRE under a service level determination. The function involves the e-Procurement system for ordering, receiving and invoice processing; Masterpiece payment transaction processing and vendor masterfile processing; EFT and cheque payment processing; and Masterpiece general ledger maintenance.

While SSSA continues to progress significant remedial measures to address prior years' key control weaknesses certain actions are still required before the control environments can be considered to be robust and effective.

This matter is further discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report.

Interpretation and analysis of the financial report

Due to machinery of government changes that occurred in 2011-12, there were a number of new functions that transferred into DMITRE effective 1 January 2012. Consequently the 2011-12 figures represent only the half year results of those transferred functions.

Highlights of the financial report

	2013 $'million	2012 $'million
Expenses		
Employee benefits expenses	52	33
Supplies, services and other expenses	53	33
Grants and subsidies	22	23
Total expenses	127	89
Income		
Mining and petroleum fees and charges	17	6
Other revenues	18	9
Total income	35	15
Net cost of providing services	92	74
Revenues from (Payments to) SA Government		
Revenues from SA Government	92	73
Payments to SA Government	-	(5)
Net result and total comprehensive result	-	(6)
Net cash provided by (used in) operating activities	(3)	14

	2013 $'million	2012 $'million
Assets		
Current assets	28	36
Non-current assets	31	33
Total assets	59	69
Liabilities		
Current liabilities	27	37
Non-current liabilities	11	11
Total liabilities	38	48
Total equity	21	21

Statement of Comprehensive Income

Net cost of providing services

Expenses increased by $38 million to $127 million and income increased by $20 million to $35 million. This reflects machinery of government changes, effective 1 January 2012, resulting in a number of new functions transferring into DMITRE. Consequently the 2011-12 figures represent only the half year results of those transferred functions.

Expenses

The main expenses of DMITRE are employee benefits of $52 million and supplies and services of $51 million which constitute 81% of total expenses.

The largest supplies and services expenditure items are:

- contractors of $8 million, of which $3 million is for temporary agency staff
- energy supply fuel and lubricants of $8 million for the Remote Areas Energy Scheme
- office administration expenses of $6 million
- accommodation and service costs of $6 million.

Income

DMITRE is predominantly funded via appropriation. Revenues from SA Government were $92 million.

The other main income streams for DMITRE were:

- revenue from fees and charges of $17 million for mining and petroleum application fees, rentals and licences

- technical regulation of $6 million for gas and electricity where licence fees are levied on industry bodies by the Essential Services Commission of South Australia and received from DTF

- sale of electricity of $3 million for remote areas

- other revenues of $7 million (refer note 18 to the financial statements).

Statement of Financial Position

The Statement of Financial Position shows that the most significant items are:

	2013 $'million	2012 $'million
Assets		
Cash and cash equivalents	21	25
Property, plant and equipment	31	32
Liabilities		
Payables	13	26
Employee benefits	16	14

Property, plant and equipment is the most dominant item in the Statement of Financial Position, representing 52% of total assets followed by cash which represents 36% of total assets.

Net assets decreased by $440 000 to $21 million. The main changes affecting net assets were:

- a decrease in receivables of $5 million. This is mainly due to a decrease in accrued revenue of $6 million. Accrued revenue as at 30 June 2012 was $9 million which included $7 million owed by other SA Government agencies to DMITRE for functions taken over as part of machinery of government changes during 2011-12
- a decrease in cash of $4 million (refer Statement of Cash Flows below)
- a decrease in payables of $13 million. Creditors and accrued expenses as at 30 June 2012 included $15 million owed to other SA Government agencies for functions taken over by DMITRE as part of machinery of government changes during 2011-12.

Statement of Cash Flows

The following table summarises the net cash flows:

	2013 $'million	2012 $'million
Net cash flows		
Operating	(3)	14
Investing	(1)	-
Change in cash	(4)	14
Cash at 30 June	21	25

Cash as at 30 June 2013 is $21 million. Of this amount, $16 million is held in a Treasury deposit account which includes $6 million in security deposits. DMITRE has claims to these funds if licenses fail to perform legislative requirements.

Administered items

The responsibility for administering the collection of royalties levied on mineral and petroleum production on behalf of the State Government was transferred to DMITRE on 1 January 2012. During 2012-13, DMITRE administered the collection of $189 million in royalties which were paid into the Consolidated Account. In 2011-12 a total of $176 million was collected by DMITRE and the transferor agency.

Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Expenses:			
Employee benefits expenses	5	52 263	33 487
Supplies and services	6	51 173	30 488
Depreciation and amortisation expense	7	2 290	1 614
Grants and subsidies	8	21 795	22 983
Other expenses	9	8	144
Net loss from disposal of non-current assets	17	3	-
Total expenses		127 532	88 716
Income:			
Revenues from fees and charges	12	17 421	6 141
Technical regulation	13	6 277	3 097
Sale of electricity	14	3 278	2 535
Commonwealth revenues	15	1 116	1 057
Interest revenues	16	15	7
Other revenues	18	6 995	1 926
Total income		35 102	14 763
Net cost of providing services		(92 430)	(73 953)
Revenues from (Payments to) SA Government:			
Revenues from SA Government	19	91 985	72 607
Payments to SA Government	19	-	(5 054)
Net result		(445)	(6 400)
Total comprehensive result		(445)	(6 400)

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets:			
Cash	20	21 379	25 239
Receivables	21	6 456	11 596
Financial assistance debtors	22	510	24
Total current assets		28 345	36 859
Non-current assets:			
Financial assistance debtors	22	453	954
Property, plant and equipment	23	30 661	32 090
Total non-current assets		31 114	33 044
Total assets		59 459	69 903
Current liabilities:			
Payables	24	11 702	24 928
Employee benefits	25	6 822	5 320
Provisions	26	139	97
Other liabilities	27	8 294	6 725
Total current liabilities		26 957	37 070
Non-current liabilities:			
Payables	24	822	807
Employee benefits	25	8 903	8 705
Provisions	26	475	339
Other liabilities	27	1 297	1 537
Total non-current liabilities		11 497	11 388
Total liabilities		38 454	48 458
Net assets		21 005	21 445
Equity:			
Retained earnings		17 125	17 570
Revaluation surplus		3 880	3 875
Total equity		21 005	21 445

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	28
Contingent assets and liabilities	29

Statement of Changes in Equity
for the year ended 30 June 2013

	Note	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2011		44	9 690	9 734
Net result for 2011-12		-	(6 400)	(6 400)
Total comprehensive result for 2011-12		-	(6 400)	(6 400)
Net assets transferred as a result of an administrative restructure		3 831	13 910	17 741
Balance at 30 June 2012		3 875	17 200	21 075
Prior period adjustment	2(l)	-	370	370
Restated balance at 30 June 2012		3 875	17 570	21 445
Net result for 2012-13		-	(445)	(445)
Total comprehensive result for 2012-13		-	(445)	(445)
Revaluation of plant and equipment	23	5	-	5
Balance at 30 June 2013		3 880	17 125	21 005

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

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefits payments		(62 588)	(18 553)
Payments for supplies and services		(66 838)	(18 383)
GST paid to the ATO		(602)	(141)
Payments for security deposits		(1 151)	-
Payments for grants and subsidies		(24 424)	(22 244)
Payments of financial assistance		-	(79)
Payments for Paid Parental Leave Scheme		(44)	(21)
Cash used in operations		(155 647)	(59 421)
Cash inflows:			
Fees and charges		24 114	-
Receipts from technical regulation		7 993	1 554
Receipts from sale of electricity		5 154	-
Commonwealth revenues		1 068	1 351
Interest received		13	7
GST recovered from the ATO		6 519	2 895
Receipts for security deposits		7 169	-
Receipts from Paid Parental Leave Scheme		44	21
Receipts from restructure activities		2 130	-
Proceeds from the repayment of financial assistance		22	-
Other receipts		6 495	286
Cash generated from operations		60 721	6 114
Cash flows from SA Government:			
Receipts from SA Government		91 985	72 607
Payments to SA Government		-	(5 054)
Cash generated from SA Government		91 985	67 553
Net cash provided by (used in) operating activities	32	(2 941)	14 246
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(1 044)	(439)
Cash used in investing activities		(1 044)	(439)
Cash inflows:			
Proceeds from sale of property, plant and equipment		125	-
Cash generated from investing activities		125	-
Net cash provided by (used in) investing activities		(919)	(439)
Net increase (decrease) in cash		(3 860)	13 807
Cash as at 1 July		25 239	11 432
Cash as at 30 June	20,32	21 379	25 239

Due to machinery of government changes, some cash flows did not occur until 2012-13, hence comparatives for these items show as nil.

Disaggregated Disclosures - Expenses and Income
for the year ended 30 June 2013

(Activities - refer note 4)	1		2		3		4	
	2013	2012	2013	2012	2013	2012	2013	2012
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefits expenses	174	-	37 817	19 564	5 487	5 003	6 603	6 552
Supplies and services	1 166	-	36 833	17 762	4 840	4 133	6 732	7 236
Depreciation and amortisation expense	-	-	1 448	1 156	318	183	465	233
Grants and subsidies	-	-	11 866	6 678	6 955	10 202	2 716	2 702
Other expenses	-	-	6	113	1	12	1	16
Net loss from disposal of non-current assets	-	-	93	-	12	-	(110)	-
Total expenses	1 340	-	88 063	45 273	17 613	19 533	16 407	16 739
Income:								
Revenues from fees and charges	-	-	17 421	6 141	-	-	-	-
Technical regulation	-	-	6 277	3 097	-	-	-	-
Sale of electricity	-	-	3 278	2 535	-	-	-	-
Commonwealth revenues	-	-	177	230	601	483	338	308
Interest revenues	-	-	2	5	-	-	13	2
Other revenues	-	-	3 581	1 318	1 694	334	653	263
Total income	-	-	30 736	13 326	2 295	817	1 004	573
Net cost of providing services	(1 340)	-	(57 327)	(31 947)	(15 318)	(18 716)	(15 403)	(16 166)
Revenues from (Payments to) SA Government:								
Revenues from SA Government	-	-	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-	-	-
Net result	(1 340)	-	(57 327)	(31 947)	(15 318)	(18 716)	(15 403)	(16 166)

(Activities - refer note 4)	5		6		7	
	2013	2012	2013	2012	2013	2012
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefits expenses	1 032	1 332	1 150	-	-	559
Supplies and services	853	1 091	749	-	-	257
Depreciation and amortisation expenses	59	42	-	-	-	-
Grants and subsidies	252	543	6	-	-	2 858
Other expenses	-	3	-	-	-	-
Net loss from disposal of non-current assets	3	-	5	-	-	-
Total expenses	2 199	3 011	1 910	-	-	3 674
Income:						
Revenues from fees and charges	-	-	-	-	-	-
Technical regulation	-	-	-	-	-	-
Sale of electricity	-	-	-	-	-	-
Commonwealth revenues	-	-	-	-	-	36
Interest revenues	-	-	-	-	-	-
Other revenues	52	11	1 015	-	-	-
Total income	52	11	1 015	-	-	36
Net cost of providing services	(2 147)	(3 000)	(895)	-	-	(3 638)
Revenues from (Payments to) SA Government:						
Revenues from SA Government	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-
Net result	(2 147)	(3 000)	(895)	-	-	(3 638)

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2013 (continued)

(Activities - refer note 4)	8		General/ Not attributable		Total	
	2013	2012	2013	2012	2013	2012
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefits expenses	-	477	-	-	52 263	33 487
Supplies and services	-	9	-	-	51 173	30 488
Depreciation and amortisation expenses	-	-	-	-	2 290	1 614
Grants and subsidies	-	-	-	-	21 795	22 983
Other expenses	-	-	-	-	8	144
Net loss from disposal of non-current assets	-	-	-	-	3	-
Total expenses	-	486	-	-	127 532	88 716
Income:						
Revenues from fees and charges	-	-	-	-	17 421	6 141
Technical regulation	-	-	-	-	6 277	3 097
Sale of electricity	-	-	-	-	3 278	2 535
Commonwealth revenues	-	-	-	-	1 116	1 057
Interest revenues	-	-	-	-	15	7
Other revenues	-	-	-	-	6 995	1 926
Total income	-	-	-	-	35 102	14 763
Net cost of providing services	-	(486)	-	-	(92 430)	(73 953)
Revenues from (Payments to) SA Government:						
Revenues from SA Government	-	-	91 985	72 607	91 985	72 607
Payments to SA Government	-	-	-	(5 054)	-	(5 054)
Net result	-	(486)	91 985	67 553	(445)	(6 400)

.

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2013

(Activities - refer note 4)	1		2		3		4	
	2013	2012	2013	2012	2013	2012	2013	2012
Assets:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	8 003	-	-	-	214	173
Receivables	-	-	3 234	7 980	1 263	251	95	230
Financial assistance debtors	-	-	-	-	963	978	-	-
Property, plant and equipment	-	-	26 242	27 108	-	-	300	406
Total assets	-	-	37 479	35 088	2 226	1 229	609	809
Liabilities:								
Payables	119	-	8 053	19 783	1 206	584	461	1 486
Employee benefits	-	-	11 391	10 794	1 442	1 092	1 732	1 891
Provisions	-	-	-	-	-	-	-	-
Other liabilities	-	-	7 890	6 123	62	307	-	46
Total liabilities	119	-	27 334	36 700	2 710	1 983	2 193	3 423
Net assets	(119)	-	10 145	(1 612)	(484)	(754)	(1 584)	(2 614)

(Activities - refer note 4)	5		6		7	
	2013	2012	2013	2012	2013	2012
Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	-	-	-
Receivables	-	-	-	-	-	1 928
Financial assistance debtors	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	-
Total assets	-	-	-	-	-	1 928
Liabilities:						
Payables	66	102	117	-	-	-
Employee benefits	198	248	702	-	-	-
Provisions	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total liabilities	264	350	819	-	-	-
Net assets	(264)	(350)	(819)	-	-	1 928

(Activities - refer note 4)	8		General/ Not attributable		Total	
	2013	2012	2013	2012	2013	2012
Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	13 162	25 066	21 379	25 239
Receivables	-	220	1 864	987	6 456	11 596
Financial assistance debtors	-	-	-	-	963	978
Property, plant and equipment	-	-	4 119	4 576	30 661	32 090
Total assets	-	220	19 145	30 629	59 459	69 903
Liabilities:						
Payables	-	-	2 502	3 780	12 524	25 735
Employee benefits	-	-	260	-	15 725	14 025
Provisions	-	-	614	436	614	436
Other liabilities	-	-	1 639	1 786	9 591	8 262
Total liabilities	-	-	5 015	6 002	38 454	48 458
Net assets	-	220	14 130	24 627	21 005	21 445

Assets and liabilities have only been allocated to activities where this can be done reliably.

Property, plant and equipment assets are only allocated where there is exclusive custody, control and regulation of the use of the asset, by a specific activity.

Where this criteria is not met then the asset value is classified as general/not attributable.

Notes to and forming part of the financial statements

1. Objectives of the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE or the Department)

DMITRE has a vision of a globally competitive, prosperous and sustainable South Australia. To create and capture value for South Australia DMITRE is focused on delivering results through:

- working with a wide range of stakeholders such as manufacturers, industry associations, unions, research entities and other government agencies to support and facilitate the growth of high value, advanced manufacturing in South Australia
- supporting the mineral and energy resources sectors to deliver outcomes that continue to build South Australia's international profile and strengthen the State's economic prosperity through sustainable development and best practice regulation
- providing advice on energy frameworks and programs that seek to deliver a competitive, sustainable, safe, reliable and efficient supply and use of energy, for the benefit of the South Australian community
- attracting investment and economic development to the State through promoting South Australia and its investment opportunities to international and domestic capital markets, and to influence the way government approaches investors
- providing specialised facilitation of resource projects that are significant in terms of size and complexity, guiding proposed projects through government's policy, planning, technical, legal, financial and environmental requirements to enable approval and implementation
- supporting a values-based cultural change program, designed to create a dynamic and productive public sector with an emphasis on citizen-centric service delivery to achieve greater productivity, innovation and collaboration.

Its strategic objectives are to:

- leverage the value from our major projects for all South Australians
- attract and facilitate targeted business and infrastructure investment
- enable accessible and sustainable energy and resources
- drive the transition to high-value innovative manufacturing
- deliver and advocate trusted regulation and targeted programs.

2. Summary of significant accounting policies

(a) Statement of compliance

The Department has prepared these statements in compliance with section 23 of the PFAA. The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and comply with TIs and APSs promulgated under the provisions of the PFAA.

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

AASs and interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2013 (refer note 3).

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Department'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
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in this financial report:

(b) Basis of preparation (continued)

(a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. The threshold of $100 000 for separate identification of these items has not been applied

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

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented.

(c) Reporting entity

The Department is a government department of the State of South Australia, established pursuant to the PSA. 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. As administered items are insignificant (on a net basis) in relation to the Department's overall financial performance and position, they are disclosed as a schedule of administered items 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) Transferred functions

The administrative and operational resources associated with technical regulation of plumbing were transferred from the South Australian Water Corporation (SA Water) to the Office of the Technical Regulator, within DMITRE (refer note 30).

The *Water Industry Act 2012* was passed on 5 April 2012 and received royal assent on 19 April 2012. The *Water Industry Act 2012* was brought into limited operation on 1 July 2012, including those provisions relating to the appointment of the Technical Regulator, and commenced in full on 1 January 2013.

(e) Comparative information

Due to machinery of government changes that occurred in 2011-12, there were a number of new functions that transferred into the newly formed DMITRE, effective 1 January 2012. Consequently the 2011-12 figures represent only half year results of the transferred functions.

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

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

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

(f) Rounding

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

(g) Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST, Emergency Services levy, land tax equivalents and local government rate equivalents.

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

- 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.

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

(h) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June 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 (refer note 34).

(i) Income

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

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

The following are specific recognition criteria:

Revenues from SA Government

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

Fees and charges

Fees and charges are recognised as revenues upon invoicing and mainly relate to mining and petroleum application fees, rentals and licences.

Commonwealth revenues

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

Recoveries

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

Land sales

On 10 May 2004, Cabinet approved the transfer of land at Edinburgh Parks (Stages 0, 1 and 3) to the Urban Renewal Authority, effective from 1 July 2004. In accordance with the contractual agreement, the Department is entitled to receive 25% of the net profit arising from the sale of Stage 0 and the net proceeds of Stages 1 and 3 sales. All income is recognised upon sale of land.

Administered - royalty receipts
Royalty revenue relates to minerals and petroleum production and is collected pursuant to the *Roxby Downs (Indenture Ratification) Act 1982*, *Whyalla Steel Works Act 1958*, *Mining Act 1971* and the *Petroleum and Geothermal Energy Act 2000*. Royalty revenue is recognised as income when received.

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

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

(j) 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 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 the Department to the superannuation plan in respect of current services of current departmental staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

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

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.

Land and improvements are not depreciated.

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

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

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

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

Class of asset	*Useful life (years)*
Leasehold improvements	Life of lease
Plant and equipment	2-60
Intangibles/Software	3-10

Grants and subsidies
Financial assistance is provided from State and Commonwealth funds. Proposals and applications for funding under various support programs and schemes are subject to specific guidelines and procedures issued by the Department and the Commonwealth. There are several approval delegations dependent upon the level and nature of assistance provided.

In some cases, the provision of assistance does not involve the direct outlay of funds by the Department. Assistance packages may involve elements of assistance provided through other government agencies, with the Department assuming the overall responsibility for the assistance arrangements. Generally, this is through the provision of purpose built buildings and exemptions or remissions from certain elements of state taxation.

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

Payments to SA Government
Payments to the SA Government relate to the return of surplus cash pursuant to the cash alignment policy.

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

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

(l) 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.

Where an asset line item combine amounts expected to be settled within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be recovered after more than 12 months.

Cash
Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at its nominal value for Australian accounts while overseas accounts are measured using the exchange rate as per OANDA.com or the nominated overseas offices financial institution as at 30 June.

Receivables
Receivables include amounts receivable from goods and services, GST input tax credits recoverable and other accruals.

Receivables arise from the partial or full recovery of costs associated with the Department’s delivery of programs. Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

Financial assistance debtors
Amounts outstanding with respect to financial assistance advances by way of loans are brought to account at their face value. A provision is made where recoverability of amounts is considered doubtful. Conditions relating to some forms of assistance provide that in certain circumstances, loans can be reduced, forgiven or converted to grants.

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 at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements then the assets are recognised at book value ie the amount recorded by the transferor public authority immediately prior to the restructure.

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

  The office fitout (including workstations) is reported under leasehold improvements and is depreciated over the life of the lease (10 years).

- *Revaluation of non-current assets*

  All non-current tangible assets are recorded at written down cost (a proxy for fair value) until the next revaluation cycle (five years). During 2012-13, the Department amended its asset policy in line with the APF to reflect independent valuation appraisals to be performed at least every five years. Works of art and non-current assets or a group of assets when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years are revalued in accordance with the revaluation cycle. 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.

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

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

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

- *Impairment*

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

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

Intangible assets

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

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

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

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

Subsequent expenditure on intangible assets has not been capitalised. This is because the Department has been unable to attribute this expenditure to the intangible asset rather than to the Department as a whole.

- *Prior period adjustments*
  A prior period adjustment was made in relation to the recognition of leasehold improvements ($329 000) and land and improvements ($68 000) from the Department of Primary Industries and Regions (PIRSA) to the Department in 2012-13, associated with 2011-12 machinery of government changes. In addition, inventory of $27 000 was expensed.

(m) 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 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be settled after more than 12 months.

Payables

Payables include creditors, accrued expenses, GST payable, employment on-costs and the Paid Parental Leave Scheme payable.

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

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

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

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Employee benefits on-costs include payroll tax, workers compensation and superannuation contributions in respect to outstanding liabilities for salaries and wages, LSL, 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 balance 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 in relation to office accommodation and motor vehicles for its administrative and operating activities.

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

Financial guarantees

At the time a financial guarantee contract is issued, it is recognised as a contingent liability as it is not expected that the guarantee will be called upon. In determining the value of the indemnities provided by the Department, consideration has been given to the following:

- For those properties indemnified by the Minister for Manufacturing, Innovation and Trade and subject to lease where the historical cost or borrowing from SAFA remains, the value has been calculated using historical cost less the valuation of the property as at 30 June 2013.

Financial guarantees (continued)

- For those properties that are subject to a deferred purchase agreement where the client is paying principal and interest repayments, the value has been calculated using the value of the loan outstanding as at 30 June 2013 less the most recent property or rating valuation.

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 2013 (there was no material liability recognised for financial guarantee contracts in 2012).

Whilst no liability has been recognised for financial guarantee contracts, further note disclosures relating to financial guarantees are contained at note 29.

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.

Wages, salaries, 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. In the unusual event where salary and wages, annual leave and skills and experience retention leave liability are payable later than 12 months, the liability will be measured at present value.

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

LSL

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

The unconditional portion of the LSL provision is classified as current as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of LSL relates to an unconditional legal entitlement to payment arising after 10 years of service.

Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2013 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Department is responsible for the payment of workers compensation claims.

(n) Unrecognised contractual commitments and contingent assets and liabilities

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

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

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the 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 2012-13.

AASs 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 2013.

4. Activities of the Department

The Department has identified eight broad activities that reflect the nature of the services delivered to the South Australian community. The activities undertaken under Thriving Regions and A Strategic Approach to Economic Development were transferred out as part of the machinery of government changes, effective 1 January 2012. The activities and their objectives of the Department are:

Activity 1: Public Sector Renewal

This activity will lead a values-based cultural change program in partnership with agencies and employees across the public sector. All participants collaborate to identify and embed values that are critical to better service delivery in the 21st century.

Activity 2: Mineral Resources and Energy

This activity supports the vision of the mineral resources and energy development program to continue South Australia's reputation as a leading mineral investment destination. It includes managing the state's mineral and energy resources, delivering the Plan for Accelerating Exploration (PACE 2020) programs, facilitating the South Australian and Commonwealth Governments' interaction with BHP Billiton for the approval of the Olympic Dam expansion, providing policy advice and coordination of energy market reforms and enforcement of energy related technical and safety regulation.

Activity 3: Manufacturing and Innovation

This activity will further develop advanced manufacturing capability in South Australia and maximise supply chain opportunities for South Australian businesses. It includes the development of the Tonsley Park sustainable technologies precinct, implementation of manufacturing works, a 10 year strategy for transitioning South Australia's manufacturers to higher value added manufacturing, and mapping of mining supply chains to identify opportunities for South Australian companies.

Activity 4: Globally Integrating the SA Economy

This activity supports sustainable economic growth by building on South Australia's competitive advantages. It includes facilitating investment and case management in major projects across the State, and trade and migration activities. The Invest in South Australia initiative, connecting investors to a network of local contacts to facilitate investment in the State's major projects, is one important component.

Activity 5: Opportunities for Small Business

This activity supports small businesses in their growth and expansion, complementing the role of the Small Business Commissioner.

Activity 6: Plumbing Technical and Safety Regulation

This activity supports the enforcement, compliance and protection of technical and safety regulation of plumbing and equipment.

Activity 7: Thriving Regions

This activity worked with South Australia's regional communities to maximise economic opportunity in these regions to maximise their contribution to the State's economy. It helped to build social capital, promote economic development initiatives and priorities and contribute to the funding of regional economic infrastructure. This activity has been transferred to PIRSA.

Activity 8: A Strategic Approach to Economic Development

This activity provided a strong strategic policy framework for economic development by focusing on South Australia being a place where people will choose to live, work and do business. This activity has been transferred to DPC.

5. Employee benefits expenses

	Note	2013 $'000	2012 $'000
Salaries and wages		39 283	26 392
TVSPs (refer below)		365	346
LSL		1 200	772
Annual leave		3 675	1 845
Skills and experience retention leave		221	-
Employment on-costs - superannuation		4 466	2 596
Employment on-costs - other		2 433	1 473
Workers compensation		304	(81)
Board fees	31	316	144
Total employee benefits expenses		52 263	33 487

TVSPs and early terminations

	2013 $'000	2012 $'000
Amount paid during the reporting period to these employees:		
TVSPs	365	346
Early terminations	-	400
Annual leave and LSL paid to those employees	130	291
Employment on-costs (payroll tax and SSSA processing fees)	54	22
Redeployment training support*	1	4
	550	1 063
Recovery from DTF	(1 007)	(606)
Net cost to the Department	(457)	457

The number of employees who received a TVSP or early termination payment during 2012-13 was 2 (5).

The recovery from DTF ($1.007 million) is reflected in the financial statements as revenues from SA Government, this includes contingency appropriation of $749 000. The balance of $258 000 is attributable to reimbursement of leave payments and payroll tax from DTF.

* The recovery from DTF includes $1000 ($4000) for redeployment training support, included in staff related expenses in supplies and services (refer note 6).

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:	2013 Number	2012 Number
$134 000 - $137 999*	n/a	1
$138 000 - $147 999	8	1
$148 000 - $157 999	8	-
$158 000 - $167 999	3	3
$168 000 - $177 999	7	2
$178 000 - $187 999	4	-
$188 000 - $197 999	2	1
$198 000 - $207 999	5	1
$208 000 - $217 999	1	-
$218 000 - $227 999	2	-
$228 000 - $237 999	1	-
$238 000 - $247 999	1	-
$248 000 - $257 999	1	1
$278 000 - $287 999	1	-
$298 000 - $307 999	2	-
$308 000 - $317 999	1	2
$318 000 - $327 999	1	-
$328 000 - $337 999	1	-
$378 000 - $387 999	1	-
$428 000 - $437 999	1	-
$448 000 - $457 999	-	1
$578 000 - $587 999	-	1
Total	51	14

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2011-12.

Remuneration of employees (continued)

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, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $10.255 million ($3.548 million). The total paid to employees receiving TVSPs or early terminations including salaries, leave entitlements and TVSP package and/or contract amount was $0 in 2012-13 ($1.349 million).

6. Supplies and services

	Note	2013 $'000	2012 $'000
Supplies and services provided by entities within the SA Government:			
Accommodation and service costs		5 477	3 930
Accounting and audit fees	10	143	121
Communications and information technology		1 638	746
Contractors		7	480
Consultancies (refer below)		149	-
Energy supply fuel and lubricants		56	8
Marketing		9	28
Overseas trade representation[1]		-	2
Remote Areas Energy Scheme		1 950	-
Shared service fees - other [2]		2 127	227
Staff related expenses		105	87
Travel and related expenses		959	688
Office administration expenses		2 351	789
Total supplies and services - SA Government entities		14 971	7 106
Supplies and services provided by entities external to the SA Government:			
Accommodation and service costs		655	575
Accounting and audit fees		288	257
Business training and development support		2	21
Communications and information technology		3 327	1 980
Contractors		8 281	6 952
Consultancies (refer below)		4 428	2 520
Energy supply fuel and lubricants		7 483	3 881
Lease incentive amortisation	27	(240)	(240)
Marketing		2 281	1 946
Overseas trade representation[1]		140	190
Remote Areas Energy Scheme		1 307	280
Staff related expenses		1 577	1 178
Travel and related expenses		2 542	1 286
Office administration expenses		4 131	2 556
Total supplies and services - non-SA Government entities		36 202	23 382
Total supplies and services		51 173	30 488

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 trade organisations relating to activities promoting South Australia.

(2) Represents payments to the Department of Planning, Transport and Infrastructure, PIRSA and DPC for the provision of corporate support services.

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2013 Number	2013 $'000	2012 Number	2012 $'000
Less than $10 000	17	67	12	72
$10 000 - $50 000	35	800	25	529
More than $50 000	18	3 710	19	1 919
Total paid/payable to the consultants engaged	70	4 577	56	2 520

7. Depreciation and amortisation expense

	2013	2012
Depreciation:	$'000	$'000
Plant and equipment	913	504
Buildings and improvements	885	694
Total depreciation	1 798	1 198
Amortisation:		
Intangible/Software assets	492	416
Total amortisation	492	416
Total depreciation and amortisation expense	2 290	1 614

8. Grants and subsidies

Grants and subsidies paid/payable to entities within the SA Government:		
Class of assistance:		
Industry development	597	290
Energy	20	506
Minerals and petroleum	587	1 158
Renewables	50	-
Regional development	-	6
Other	28	33
Total grants and subsidies - SA Government entities	1 282	1 993
Grants and subsidies paid/payable to entities external to the SA Government:		
Class of assistance:		
Industry development	8 147	11 595
Energy	6 703	3 683
Minerals and petroleum	4 386	1 071
Renewables	999	995
Regional development	-	3 190
Other	278	456
Total grants and subsidies - non-SA Government entities	20 513	20 990
Total grants and subsidies	21 795	22 983

9. Other expenses

Other expenses paid/payable to entities external to the SA Government:		
Bad and doubtful debts	8	-
Asset write-down	-	144
Total other expenses - non-SA Government entities	8	144
Total other expenses	8	144

10. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	143	121
Total audit fees - SA Government entities	143	121

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

11. Overseas representative offices

The following table provides a summary of the financial transactions for the reporting period for overseas offices, where the Department funds their operations. The transactions relating to operating expenses and operating revenues have been included in the financial statements.

The costs relating to overseas representation provided through Austrade are not included in the table below. These costs are shown in note 6. Refer overseas trade representation.

	China	Singapore	Dubai	India	Total 2013	Total 2012
	$'000	$'000	$'000	$'000	$'000	$'000
Operating expenses	535	166	124	424	1 249	1 669
Operating revenues	148	43	15	17	223	26
Funds advanced to overseas offices towards operating expenses	503	231	164	355	1 253	1 090

	2013	2012
12. Revenues from fees and charges	$'000	$'000
User fees and charges received/receivable from entities external to SA Government:		
Mining and petroleum application fees, rentals and licences	17 421	6 141
Total revenues from fees and charges - non-SA Government entities	17 421	6 141
Total revenues from fees and charges	17 421	6 141

13. Technical regulation

Technical regulation received/receivable from entities within SA Government		
Technical regulation - gas and electricity technical regulation and electricity emergency management	6 277	3 097
Total technical regulation - SA Government entities	6 277	3 097
Total technical regulation	6 277	3 097

Licence fees on industry bodies levied by the Essential Services Commission of South Australia and received via DTF.

14. Sale of electricity

Revenue received/receivable from entities within SA Government:		
Sale of electricity - remote areas	1 744	1 113
Total sale of electricity - SA Government	1 744	1 113
Revenue received/receivable from entities external to SA Government:		
Sale of electricity - remote areas	1 534	1 422
Total sale of electricity - external to SA Government	1 534	1 422
Total sale of electricity	3 278	2 535

15. Commonwealth revenues

Grants:		
Municipal and essential services - Murputja and Watarru Power Station Fuel Contribution*	-	173
Renewable Remote Power Generation program**	-	57
Total Commonwealth revenues - SA Government entities	-	230
Grants:		
TradeStart	338	308
Supplier access to major projects program - Australian Water Access to USA - California	105	350
Supplier access to major projects program - Olympic Dam Expansion	6	1
Supplier access to major program - Domain Specialist - Water	263	132
Regional Development Australia Adelaide Metropolitan Advisory Board	-	36
Cellulosic Value Chain Technology Roadmap	227	-
Municipal and essential services - Murputja and Watarru Power Station Fuel Contribution*	177	-
Total Commonwealth revenues - non-SA Government entities	1 116	827
Total Commonwealth revenues	1 116	1 057

* Funding for this program during 2011-12 was received via DPC. Under the new agreement, funding is received from the Department of Families, Housing, Community Services and Indigenous Affairs.

** Funding for this program was received via DTF.

Contributions which have conditions of expenditure still to be met as at reporting date were $367 000 ($1.06 million). These contributions relate to the supplier access to major projects programs: Domain Specialist - Water and Australian Water Access to USA - California.

The terms of the municipal and essential services - Murputja and Watarru Power Station Fuel Contribution state that the Department is to purchase fuel for power stations at Murputja and Watarru on the APY Lands and offset this cost with the diesel fuel rebate and charges to consumers for power.

Renewable Remote Power Generation program is an Australian Government funded initiative that provided financial support to increase the use of renewable generation in remote parts of Australia that rely on diesel and other fossil fuels for electricity supply. The final program extension agreement changed the focus to more of energy efficiency rather than renewable energy installation rebates. The program ended 30 June 2013.

15. Commonwealth revenues (continued)

Included in revenue is Commonwealth funding for TradeStart. The terms of this grant are that the Department must promote exporting, international business and the Commonwealth Government's trade agenda for a period of approximately three and a half years ending 30 June 2014. As the grant is a non-recourse grant it has been recognised upon receipt.

Conditions attached to the contributions relating to the supplier access to major projects programs: Australian Water Access to USA - California and Olympic Dam Expansion state that funds are to be used to facilitate South Australian industry participation where it has full, fair and reasonable opportunity to tender for the supply of goods and services associated with this project. The Olympic Dam Expansion program is no longer proceeding.

Conditions attached to the Cellulosic Value Chain Roadmap initiative stem from the SA Government's wish to develop the potential of the forestry resources from South Australian forests, in particular the Limestone Coast region. In order to achieve this, a detailed mapping of the possible commercial ready or near commercial ready technologies and associated high value add industries to be attracted to the area must be carried out.

16. Interest revenues

	2013 $'000	2012 $'000
Interest revenues	15	7
Total interest revenues	15	7

17. Net loss from the disposal of non-current assets

Plant and equipment:		
Proceeds from disposal	125	-
Net book value of assets disposed	(128)	-
Total net loss from disposal of non-current assets	(3)	-

18. Other revenues

Revenues received/receivable from entities within SA Government:		
Management of Extractive Areas Rehabilitation Fund	284	176
Recoveries - financial assistance grants	410	41
Recoveries - intra-government transfers - grants	1 518	215
Recoveries - other	1 423	142
Total other revenues - SA Government entities	3 635	574
Revenues received/receivable from entities external to SA Government:		
Sponsorship revenues	51	40
Fuel tax credits	1 610	900
Recoveries - financial assistance grants	13	66
Recoveries - business training and development support	4	22
Recoveries - other	1 682	324
Total other revenues - non-SA Government entities	3 360	1 352
Total other revenues	6 995	1 926

19. Revenues from (Payments to) SA Government

Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	86 228	71 735
Appropriations under other Acts (pursuant to Treasurer's contingency section 15 of the PFAA)	5 757	872
Total revenues from SA Government	91 985	72 607
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy	-	5 054
Total payments to SA Government	-	5 054

Total revenues from Government consists of $85.247 million ($71.345 million) for operational funding and $981 000 ($390 000) for capital projects. For details on the expenditure associated with the operational funding and capital funding received refer notes 5 to 10 and 30.

The original amount appropriated to the Department under the annual *Appropriation Act* was not varied however an additional advance of $5.757 million ($872 000) was received pursuant to Treasurer's contingency. Contingency appropriation in 2012-13 included $3.812 million for Remote Areas Energy Supplies Fuel Cost Adjustment, $749 000 for TVSP reimbursement and $832 000 enterprise bargaining supplementation.

20. Cash

	2013	2012
	$'000	$'000
Deposits with the Treasurer - Operating Account	16 125	20 609
Deposits with the Treasurer - accrual appropriation	5 039	4 456
Deposits at call - overseas offices	214	173
Other	1	1
Total cash	21 379	25 239

Deposits with the Treasurer - Operating Account

Includes cash securities held for mining remediation of $6.018 million. Last year the cash securities were held in PIRSA's bank account. The Department recognised a receivable 'accrued revenue' for the amount of the security deposits. The Department only has claims to these funds if the licensee fails to perform its legislative requirements (refer note 27).

Deposits with the 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, ie 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 fair value.

21. Receivables

	2013	2012
Current:	$'000	$'000
Receivables	2 838	1 944
Allowance for doubtful debts	(56)	(161)
GST input tax recoverable	738	938
Prepayments	114	220
Accrued revenue	2 822	8 655
Total current receivables	6 456	11 596
Total receivables	6 456	11 596

Government/Non-government receivables

	2013	2012
Receivables from SA Government entities:		
Receivables	1 604	28
Prepayments	-	10
Accrued revenue	1 356	7 433
Total receivables from SA Government entities	2 960	7 471
Receivables from non-SA Government entities:		
Receivables	1 178	1 755
GST input tax recoverable	738	938
Prepayments	114	210
Accrued revenue	1 466	1 222
Total receivables from non-SA Government entities	3 496	4 125
Total receivables	6 456	11 596

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment losses) is recognised when there is objective evidence (ie 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.

	2013	2012
Movements in the allowance for doubtful debts (impairment loss):	$'000	$'000
Carrying amount at 1 July	(161)	(3)
Decrease (Increase) in the allowance	105	(161)
Amounts written off	-	3
Carrying amount at 30 June	(56)	(161)

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 note 35.3.
(b) Categorisation of financial instruments and risk exposure information - refer note 35.

22. Financial assistance debtors

	2013	2012
Current:	$'000	$'000
Financial assistance debtors	534	134
Allowance for doubtful debts	(24)	(110)
Total current financial assistance debtors	510	24
Non-current:		
Financial assistance debtors	453	954
Total non-current financial assistance debtors	453	954
Total financial assistance debtors	963	978

Financial assistance is provided to non-SA Government entities only.

Movements in the allowance for doubtful debts (impairment loss):		
Carrying amount at 1 July	(110)	(110)
Amounts written off	86	-
Carrying amount at 30 June	(24)	(110)

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 note 35.3.
(b) Categorisation of financial instruments and risk exposure information - refer note 35.

23. Property, plant and equipment

	2013	2012
Plant and equipment:	$'000	$'000
Plant and equipment at cost (deemed fair value)	22 868	22 803
Accumulated depreciation	(12 524)	(12 066)
Total plant and equipment	10 344	10 737
Leasehold improvements:		
Building improvements at fair value	18 981	18 936
Accumulated depreciation	(8 831)	(8 031)
Total leasehold improvements	10 150	10 905
Intangibles/Software:		
Computer software	3 493	3 034
Accumulated amortisation	(2 557)	(2 065)
Total intangible assets	936	969
Land and improvements:		
Land and improvements at fair value	9 023	9 023
Total land and improvements	9 023	9 023

23. Property, plant and equipment (continued)

	2013	2012
Works of art:	$'000	$'000
Works of art at fair value	105	100
Total works of art	105	100
Capital work in progress:		
Work in progress at cost	103	356
Total capital work in progress	103	356
Total property, plant and equipment	30 661	32 090

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.

Reconciliation of non-current assets

2013	Plant and equipment $'000	Leasehold imprvmnts $'000	Intangibles/ Software $'000	Land and imprvmnts $'000	Works of art $'000	Work in progress $'000	Total $'000
Carrying amount at 1 July	10 737	10 905	969	9 023	100	356	32 090
Additions	575	-	24	-	-	385	984
Capitalisation	43	160	435	-	-	(638)	-
Disposals/Transfers	(98)	(30)	-	-	-	-	(128)
Revaluation increment	-	-	-	-	5	-	5
Depreciation and amortisation	(913)	(885)	(492)	-	-	-	(2 290)
Carrying amount at 30 June	10 344	10 150	936	9 023	105	103	30 661

24. Payables

	2013	2012
Current:	$'000	$'000
Creditors and accrued expenses	10 577	24 122
Employee on-costs	1 125	806
Total current payables	11 702	24 928
Non-current:		
Employee on-costs	822	807
Total non-current payables	822	807
Total payables	12 524	25 735

Government/Non-government payables

	2013	2012
Payables to SA Government entities:		
Creditors and accrued expenses	4 999	18 640
Employee on-costs	838	738
Total payables to other SA Government entities	5 837	19 378
Payables to non-SA Government entities:		
Creditors and accrued expenses	5 578	5 482
Employee on-costs	1 109	875
Total payables to non-SA Government entities	6 687	6 357
Total payables	12 524	25 735

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has remained at the 2012 rate of 40% and the average factor for the calculation of employer superannuation cost on-cost has changed from the 2012 rate of 10.3% to 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 of $122 000 in the employment on-cost and employee benefits expenses due to machinery of government changes during 2011-12. The impact on 2014 and 2015 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.

Interest rate and credit risk (continued)

(a) Maturity analysis of payables - refer note 35.3.

(b) Categorisation of financial instruments and risk exposure information - refer note 35.

25. Employee benefits

	2013	2012
Current:	$'000	$'000
Accrued salaries and wages	286	-
Annual leave	3 811	3 211
LSL	2 504	2 109
Skills and experience retention leave	221	-
Total current employee benefits	6 822	5 320
Non-current:		
LSL	8 903	8 705
Total non-current employee benefits	8 903	8 705
Total employee benefits	15 725	14 025

AASB 119 contains the calculation methodology for LSL liability. This year an actuarial assessment performed by DTF was used to calculate the liability rather than using a shorthand measurement technique for the calculation of the liability.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of LSL liability. The yield on long-term Commonwealth Government bonds has increased from 2012 (3%) to 2013 (3.75%). The increase in the bond yield, which is used as the rate to discount future LSL cash flows, results in a decrease in the reported LSL liability.

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is a decrease of $1.12 million in the LSL liability and employee benefits expenses compared to the shorthand measurement technique. The impact on future periods is impractical to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF determined that the salary inflation remained at 4%. As a result, there is no net financial effect in the annual leave liability and employee benefits expenses.

26. Provisions

	2013	2012
Current:	$'000	$'000
Provision for workers compensation	139	97
Total current provisions	139	97
Non-current:		
Provision for workers compensation	475	339
Total non-current provisions	475	339
Total provisions	614	436
Carrying amount at 1 July	436	199
Additional provisions recognised	303	288
Payments	(125)	(51)
Carrying amount at 30 June	614	436

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

27. Other liabilities

	2013	2012
Current:	$'000	$'000
Lease incentive	240	240
Security deposits	6 018	4 521
Unearned revenue	2 036	1 964
Total current other liabilities	8 294	6 725
Non-current:		
Lease incentive	2 156	2 156
Accumulated amortisation - lease incentive	(859)	(619)
Total non-current other liabilities	1 297	1 537
Total other liabilities	9 591	8 262

27. Other liabilities (continued)

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

Security deposits are received to ensure mine operators rehabilitate sites and comply with all statutory requirements on cessation of licences. 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 29) as the Department only has a claim on these funds if the licensee fails to meet its legislative requirements.

Unearned revenue includes payments for rent received for the grant or renewal of exploration licences and mining leases which are held as unearned revenue until the Minister officially approves the grant or renewal of the tenement or lease. Once grants or renewals have been instrumented, amounts are then recognised as revenue, or transferred to the landowners refund account for those freehold landowners who are entitled to a refund of rent.

28. 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:

	2013 $'000	2012 $'000
Within one year	1 658	31
Total capital commitments	1 658	31

Capital commitments at 30 June 2013 relate to Brukunga Mine projects.

Remuneration commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

Within one year	11 523	10 101
Later than one year but not longer than five years	17 308	16 368
Total remuneration commitments	28 831	26 469

Amounts disclosed include commitments arising from executive and other service contracts. The Department does not offer fixed-term remuneration contracts greater than five years.

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:

	2013 $'000	2012 $'000
Within one year	13 569	12 578
Later than one year but not longer than five years	6 416	7 106
Total other commitments	19 985	19 684

Amounts disclosed include commitments arising from agreements with contractors, consultants 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:

	2013 $'000	2012 $'000
Within one year	5 599	5 829
Later than one year but not longer than five years	16 404	18 372
Later than five years	3 677	6 603
Total operating lease commitments	25 680	30 804
Representing:		
Cancellable operating leases	811	1 230
Non-cancellable operating leases	24 869	29 574
	25 680	30 804

Operating lease commitments (continued)

The Department's operating leases relate to office accommodation and motor vehicles. Office accommodation is leased from the Department of Planning, Transport and Infrastructure - Building Management Accommodation and Property Services. The leases are non-cancellable with terms ranging up to 10 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. These are cancellable without notice.

29. 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 2013.

The Department receives securities in accordance with Acts administered by the Department for mining and petroleum. These are obtained to ensure that a mine operator rehabilitates a site and complies with all statutory requirements on cessation of a licence. The amount held as bank guarantees at 30 June 2013 is approximately $113 million ($112 million). The Department only has a claim on these funds if the licensee fails to perform its legislative requirements.

Contingent liabilities

Guarantees and indemnities

The Department has provided indemnities relating to various industry packages. As at 30 June 2013 the indemnities that can be reliably measured total $4.837 million ($3.212 million).

There is currently an agreement in place, which if the conditions were to be met would result in a call on the indemnity. To date, these conditions have not been met.

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

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

30. Transferred functions

Transferred in

Transfer of administrative and operational resources associated with technical regulation of plumbing from the South Australian Water Corporation (SA Water) to the Office of the Technical Regulator, hosted by DMITRE

The following functions were transferred into the Department:

- The *Water Industry Act 2012* was passed on 5 April 2012 and received royal assent on 19 April 2012. The *Water Industry Act 2012* was brought into limited operation on 1 July 2012, including those provisions relating to the appointment of the Technical Regulator, and commenced in full on 1 January 2013.

The effective date of the transfer was 1 January 2013. This included the transfer of 11 employees and expenditure budget funding of $1.182 million for controlled activities.

	SA Water 01.07.12 to 31.12.12	DMITRE 01.01.13 to 30.06.13	Total
Expenses:	$'000	$'000	$'000
Employee benefits expenses	438	730	1 168
Supplies and services	-	545	545
Total expenses	438	1 275	1 713

Transfer of administrative and operational resources associated with technical regulation of plumbing from the South Australian Water Corporation (SA Water) to the Office of the Technical Regulator, hosted by DMITRE (continued)

	SA Water 01.07.12 to 31.12.12	DMITRE 01.01.13 to 30.06.13	Total
Income:	$'000	$'000	$'000
Other revenues	61	-	61
Intra-government transfers	-	992	992
Appropriation	-	815	815
Total income	61	1 807	1 868
Net result	(377)	532	155

On transfer of these functions, the Department recognised the following assets and liabilities as at 1 January 2013:

	Transferred from SA Water	Total
Current assets:	$'000	$'000
Receivables	282	282
Total current assets	282	282
Total assets	282	282
Current liabilities:		
Payables	12	12
Employee benefits	93	93
Total current liabilities	105	105
Non-current liabilities:		
Payables	15	15
Employee benefits	162	162
Total non-current liabilities	177	177
Total liabilities	282	282
Total net assets transferred	-	-

Net assets assumed by the Department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer.

31. Remuneration of board and committee members

Members of boards and committees reporting to the Minister for Manufacturing, Innovation and Trade during the 2013 financial year were:

Advanced Manufacturing Council

N Apple (resigned 31.03.13)
S Myatt
J Law (appointed 22.04.13)
T Monro (appointed 22.04.13)
D McGurk
G Roos (Chair) (appointed 01.07.12)
G Knight* (ex officio)

Business Development Council

P Sims (Chair)
A Christopoulos (Deputy Chair) (appointed 22.04.13)
A Fisher (appointed 02.01.13)
K Saffin^ (appointed 02.01.13)
K Baker Jamieson (appointed 02.01.13)
J Hawkes (appointed 02.01.13)
D Basheer (appointed 02.01.13)
B Roberts
S Chase
S Gallery (appointed 02.01.13)
J Chapman (appointed 02.01.13)
C Johnston
V McClurg (appointed 02.01.13)
A Kittel^ (appointed 02.01.13)
L Torzyn (resigned 17.05.13)
B Mahoney^ (appointed 22.04.13)

31. Remuneration of board and committee members (continued)

Mining Industry Participation Office Advisory Council

R Nelson (appointed 12.03.13)
C Stallan (appointed 12.03.13)
P Goiak* (appointed 12.03.13)
J Howarth (appointed 12.03.13, resigned 20.06.13)
B Kilgariff (appointed 12.03.13)
A Kachallek (Chair) (appointed 12.03.13)
J Kuchel* (appointed 12.03.13)
M McGowan (appointed 12.03.13)
D Dally (appointed 12.03.13)
S Ellis (appointed 12.03.13, resigned 22.03.13)
G Knight* (appointed 12.03.13)
D Cruickshanks-Boyd (appointed 12.03.13)
P Heithersay* (appointed 12.03.13)
B Goldstein* (appointed 12.03.13)
E Tyne* (appointed 12.03.13)
G Hunt (appointed 1.06.13)

For the Mining Industry Participation Office Advisory Council, no members received remuneration.

South Australia - China Advisory Committee

S Kennihan (Chair)
K Anderson
A Huang
J Yuile
I Zhang
C Tragakis
K Osborn
D Frater* (ex officio)
G Knight* (ex officio)

For the South Australia - China Advisory Committee, no members received remuneration.

South Australia - India Advisory Committee

B Hayes (Chair)
A Vicary
D Von Wald
P Sandercock
A Downs
R Vasan
R Spencer
D Frater* (ex officio)
G Knight* (ex officio)

For the South Australia - India Advisory Committee, no members received remuneration.

Members of boards and committees reporting to the Minister for Mineral Resources and Energy during the 2013 financial year were:

Board of Examiners for Mine Managers

G Marshall* (Chair)
P Reynolds
A Ward
J Coker
M Van Leuven

Brukunga Minesite Remediation Board

H MacDonald (Chair)
A Stuart
R MacDonald
E Tyne*

Electrical Technical Advisory Committee

R Anderson*
G Cox*
R Donnelly
R Faunt* (Chair)
J Gater
D Inge*
B Jackson
L Moore
P Morris*
S O'Loughlin
T Tran

For the Electrical Technical Advisory Committee, no members received remuneration.

Energy Consumer Council

O Covick (retired 07.02.13)
M Baldock (Chair)
C Eardley (Deputy Chair) (appointed 07.02.13)
J Fisher
C Hagi (resigned 18.09.12)
H I'Anson
N Long
A Moore
H Nichols
J Pike
R Williams
A Clarke (resigned 03.04.13)
L Stoll (Proxy Member)

The Energy Consumer Council has a number of proxy members representing various organisations. Only paid proxy members have been included above.

31. Remuneration of board and committee members (continued)

The Energy Consumer Council Special Needs Sub-Committee

O Covick (retired 07.02.13)
M Baldock (Chair)
C Eardley (Deputy Chair) (appointed 07.02.13)
J Fisher
C Hagi (resigned 18.09.12)
H I'Anson
N Long
A Moore
H Nichols
J Pike
R Williams
A Clarke (resigned 03.04.13)
L Stoll (Proxy Member)

The Energy Consumer Council Demand Side Management Sub-Committee

O Covick (retired 07.02.13)
M Baldock (Chair)
C Eardley (Deputy Chair) (appointed 07.02.13)
J Fisher
C Hagi (resigned 18.09.12)
H I'Anson
N Long
A Moore
H Nichols
J Pike
R Williams
A Clarke (resigned 03.04.13)
L Stoll (Proxy Member)

Any member on the Energy Consumer Council is invited to attend the subcommittee meetings if they are interested in the topic to be discussed at the meeting.

Extractive Areas Rehabilitation Fund Project Assessment Panel

C Miller (Chair)
S Falland
H O'Neil
E Tyne*
P Whiffen
E Young*
J Barker* (Deputy Member)
M Harvey (Deputy Member)
S Linou (Deputy Member)
G Marshall* (Deputy Member)
T McDonald* (Deputy Member)

Gas Technical Advisory Committee

D Buchanan
A Clarke
R Faunt* (Chair)
D Inge*
R Mignone
W Patience*
D Santinon
N Smith
M Sneddon (resigned 06.08.12)
A Szacinski*
T Tucker*
M Clough (appointed 28.08.12)

For the Gas Technical Advisory Committee, no members received remuneration.

Olympic Dam Social Management Partnership

W Cossey (Chair)

Resources and Energy Sector Infrastructure Council

H Umlauff (resigned 17.05.13)
B Carter
D Dalla Valle (resigned 14.12.12)
M Gray (resigned 05.06.13)
G Guglielmo (Chair)
R Hook*
J Kuchel*
L Owens
J Roberts
J White
P Heithersay*
L Worrall*
D Cuzzubbo (appointed 24.07.12)
T White (appointed 24.07.12)
D Cruickshanks-Boyd (appointed 24.07.12)

For the Resources and Energy Sector Infrastructure Council, no members received remuneration.

Resources Industry Development Board

K Yates (Chair)
D Carter
R Goldsworthy
G Gugielmo^
P Holloway
A McCleary
E Tyne* (ex officio)
J White
P Carr
B Goldstein* (ex officio)
I Gould
P Heithersay*
G McKenzie
J Roberts
T Wanganeen
R Yeeles^

31. Remuneration of board and committee members (continued)

Roxby Downs Advisory Reference Group

W Cossey (Chair)
P Heithersay*
N Jones^
E Tyne* (Deputy Member)
M Gall*
P Holloway^ (appointed 01.10.12)
M Kelledy^ (Deputy Member)

For the Roxby Downs Advisory Reference Group, only the Chair received remuneration.

The following advisory board reports to the Minister for State Development:

Invest in South Australia Advisory Board

K Osborn (Chair)
D Thomas
C Namblard
B Carter
D Klingberg
G Knight* (ex officio)
J Hallion* (ex officio)
L Worrall* (ex officio)
R Garrand* (ex officio)
I Nightingale* (ex officio) (resigned 04.02.13)
S Ashby* (ex officio) (appointed 04.02.13)
G Roos (appointed 27.11.12)

The following committees and panels are responsible to the Minister for Mineral Resources and Energy, but report to other government departments:

Consumer Advisory Committee

S Canale^
A Clarke (resigned 22.05.13)
M Henley
D Hossen
H I'Anson
T Kelly
P Walsh (Chair)
J Whittaker
I Yates^

Members of the Consumer Advisory Committee are remunerated by the Essential Services Commission of South Australia.

Electricity Act 1996 Assessors Panel

T Blackburn
C Cooper
B Rajowska
D Round
H Sandstrom
E Woodley

Gas Act 1997 Assessors Panel

O Clark
C Cooper
B Rajkowska
W Ryan

Powerline Environment Committee

I Brooks
R Crowley (Chair)
K Hamilton
D Harvey
M Lee
A Lothian (Deputy Chair) (resigned 19.06.13)
M Magin
M Bekavac* (resigned 17.05.13)

Members of the Powerline Environment Committee were entitled to remuneration, which was paid by the Essential Services Commission of South Australia.

The following committee is a Parliamentary committee:

Industries Development Committee

L Breuer (Presiding Member)
P Caica
I Evans
S Griffiths
B Rowse*
S Marshall* (resigned 29.11.12)
M Wright (resigned 07.02.13)
M G Thompson (resigned 07.02.13)

* In accordance with DPC Circular 16, 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 who has elected not to receive payment.

Remuneration of board members

The number of members whose remuneration received or receivable falls within the following bands is:	2013 Number	2012 Number
$1 - $9 999	38	51
$10 000 - $19 999	2	2
$20 000 - $29 999	3	-
$40 000 - $49 999	-	1
$70 000 - $79 999	2	-
Total	45	54

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was $306 138 ($153 054).

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.

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.

32. Cash flow reconciliation

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.

Reconciliation of cash and cash equivalents at 30 June	2013	2012
Cash at 30 June 2013 as per Statement of Financial Position:	$'000	$'000
Deposits with the Treasurer - Operating Account	16 125	20 609
Deposits with the Treasurer - accrual appropriation	5 039	4 456
Deposits at call - overseas offices	214	173
Other	1	1
Balance as per the Statement of Cash Flows	21 379	25 239

Reconciliation of net cash provided by (used in) operating activities to net result

Net cash provided by (used in) operating activities	(2 941)	14 246
Net cash paid to restructure	6 841	-
Non-cash items:		
Depreciation and amortisation expense of non-current assets	(2 290)	(1 614)
Amortisation of lease incentive	240	240
Asset write-downs and transfers	-	(144)
Doubtful debts expense	(7)	-
Loss from disposal of non-current assets	(3)	-
Movements in assets/liabilities:		
Receivables	1 679	1 931
Other assets	(106)	48
Payables	(1 980)	(18 748)
Provisions	(178)	132
Employee benefits	(1 700)	(2 491)
Net result	(445)	(6 400)

33. Trust funds

Extractive Areas Rehabilitation Fund

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

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

	2013	*2012
Operations:	$'000	$'000
Revenue	2 839	1 755
Expenditure	2 652	623
Net operating surplus	187	1 132

Extractive Areas Rehabilitation Fund (continued)	2013	*2012
Net assets:	$'000	$'000
Cash at bank	17 364	17 156
Receivables	7	28
Net assets	17 371	17 184
Funds:		
Balance of funds at beginning of period	17 184	16 052
Net receipts	187	1 132
Fund balance at 30 June	17 371	17 184
Commitments in place at 30 June	1 563	3 194

* Comparatives for the operating surplus are for six months only as the Extractive Areas Rehabilitation Fund was transferred from PIRSA from 1 January 2012 as part of the Public Sector (Reorganisation of Public Sector Operations) Notice 2011 (dated 15 December 2011).

34. Events after the reporting period

As at the date of this report there are no known or material events that have occurred after balance date.

35. Financial instruments/Financial risk management

35.1 Categorisation of financial instruments

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

		2013		2012	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash:					
Cash	20,32	21 379	21 379	25 239	25 239
Loans and receivables:					
Receivables(1)(2)		6 567	6 567	11 416	11 416
Total financial assets at cost		27 946	27 946	36 655	36 655
Financial liabilities					
Financial liabilities at cost:					
Payables(1)		10 503	10 503	23 632	23 632
Total financial liabilities at cost		10 503	10 503	23 632	23 632

(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. All amounts recorded are carried at cost (not materially different from amortised cost).

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

Fair value

DMITRE does not recognise any financial assets or financial liabilities at fair value (refer notes 2, 20, 21, 22, 24, 27 and 32).

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.

Credit risk (continued)

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 note 21 for information on the allowance for impairment in relation to receivables.

The following table discloses the ageing of not impaired financial assets, past due:

35.2 Ageing analysis of financial assets

	Past due by			
	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2013	$'000	$'000	$'000	$'000
Not impaired:				
Receivables	1 680	247	171	2 098
2012				
Not impaired:				
Receivables	1 049	657	96	1 802

Receivable amounts disclosed here exclude amounts relating to statutory receivables. The accounting standard requires disclosure of financial assets (receivables) resulting from contracts enforceable by law. 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, tax equivalents, Commonwealth tax etc they would be excluded from the disclosure. They are carried at cost.

35.3 Maturity analysis of financial assets and liabilities

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

		Contractual maturity		
	Carrying amount	Less than 1 year	1-5 years	More than 5 years
2013				
Financial assets:	$'000	$'000	$'000	$'000
Cash	21 379	21 379	-	-
Receivables	6 567	6 114	453	-
Total financial assets	27 946	27 493	453	-
Financial liabilities:				
Payables	10 503	10 503	-	-
Total financial liabilities	10 503	10 503	-	-
2012				
Financial assets:				
Cash	25 239	25 239	-	-
Receivables	11 416	10 462	954	-
Total financial assets	36 655	35 701	954	-
Financial liabilities:				
Payables	23 632	23 632	-	-
Total financial liabilities	23 632	23 632	-	-

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 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. 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.

Liquidity risk (continued)

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 note 35.1 represent the Department's maximum exposure to financial liabilities.

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 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.

Statement of Administered Comprehensive Income for the year ended 30 June 2013

	2013 $'000	01.01.12 to 30.06.12 $'000
Expenses:		
Employee benefits expenses	281	177
Supplies and services	-	764
Grants and subsidies	973	155
Payment of royalties to the Consolidated Account	188 737	92 899
Other	4 215	1 120
Total expenses	194 206	95 115
Income:		
Revenues from SA Government	1 169	1 029
Commonwealth revenues	-	413
Royalties	188 737	92 899
Other	3 474	1 646
Total income	193 380	95 987
Net result	(826)	872
Total comprehensive result	(826)	872

Statement of Administered Financial Position as at 30 June 2013

	2013 $'000	2012 $'000
Current assets:		
Cash	43	1 098
Receivables	23 218	23 302
Total current assets	23 261	24 400
Total assets	23 261	24 400
Current liabilities:		
Payables	22 972	23 285
Total current liabilities	22 972	23 285
Total liabilities	22 972	23 285
Net assets	289	1 115
Equity:		
Retained earnings	289	1 115
Total equity	289	1 115

Statement of Administered Changes in Equity
for the year ended 30 June 2013

	Total
Changes in equity:	$'000
Balance at 1 January 2012	-
Total recognised income and expense for period	872
Net assets transferred in	243
Balance at 30 June 2012	1 115
Net result for 2012-13	(826)
Total comprehensive result for 2012-13	(826)
Balance at 30 June	289

Statement of Administered Cash Flows
for the year ended 30 June 2013

	2013 Inflows (Outflows)	01.01.12 to 30.06.12 Inflows (Outflows)
Cash flows from operating activities:	$'000	$'000
Cash outflows:		
Employee benefit payments	(281)	(177)
Payments for supplies and services	-	(764)
Payments for grants and subsidies	(973)	-
Payment of royalties to Consolidated Account	(189 073)	-
Other payments	(4 258)	(1 120)
Total cash outflows	(194 585)	(2 061)
Cash inflows:		
Revenues from SA Government	1 169	1 029
Other receipts	3 290	1 876
Royalties receipts	189 071	-
Receipts on restructure	-	254
Total cash inflows	193 530	3 159
Net cash provided by (used in) operating activities	(1 055)	1 098
Net increase (decrease) in cash held	(1 055)	1 098
Cash as at 1 July	1 098	-
Cash as at 30 June	43	1 098

Schedule of Expenses and Income attributable to Administered Activities for the year ended 30 June 2013

	Small Business Commissioner	Minister's salary	Energy Policy and Regulation	Royalties
Expenses:	$'000	$'000	$'000	$'000
Employee benefits expenses	-	281	-	-
Supplies and services	-	-	-	-
Grants and subsidies	973	-	-	-
Payment of royalties to the Consolidated Account	-	-	-	188 737
Other	-	-	-	-
Total expenses	973	281	-	188 737
Income:				
Revenues from SA Government	973	196	-	-
Commonwealth revenues	-	-	-	-
Royalties	-	-	-	188 737
Other	-	-	-	-
Total income	973	196	-	188 737
Net result	-	(85)	-	-

	Mintabie administration	Native Title Agreement	2013 Total
Expenses:	$'000	$'000	$'000
Employee benefits expenses	-	-	281
Supplies and services	-	-	-
Grants and subsidies	-	-	973
Payment of royalties to the Consolidated Account	-	-	188 737
Other	8	4 207	4 215
Total expenses	8	4 207	194 206
Income:			
Revenues from SA Government	-	-	1 169
Commonwealth revenues	-	-	-
Royalties	-	-	188 737
Other	8	3 466	3 474
Total income	8	3 466	193 380
Net result	-	(741)	(826)

Schedule of Expenses and Income attributable to Administered Activities for the period ended 30 June 2012

Expenses:	Small Business Commissioner $'000	Minister's salary $'000	Energy Policy and Regulation $'000	Royalties $'000
Employee benefits expenses	-	177	-	-
Supplies and services	764	-	-	-
Grants and subsidies	-	-	155	-
Payment of royalties to the Consolidated Account	-	-	-	92 899
Other	-	-	-	-
Total expenses	764	177	155	92 899
Income:				
Revenues from SA Government	764	209	-	-
Commonwealth revenues	-	-	413	-
Royalties	-	-	-	92 899
Other	-	-	-	-
Total income	764	209	413	92 899
Net result	-	32	258	-

Expenses:	Mintabie administration $'000	Native Title Agreement $'000	Total 01.01.12 to 30.06.12 $'000
Employee benefits expenses	-	-	177
Supplies and services	-	-	764
Grants and subsidies	-	-	155
Payment of royalties to the Consolidated Account	-	-	92 899
Other	-	1 120	1 120
Total expenses	-	1 120	95 115
Income:			
Revenues from SA Government	-	56	1 029
Commonwealth revenues	-	-	413
Royalties	-	-	92 899
Other	16	1 630	1 646
Total income	16	1 686	95 987
Net result	16	566	872

Small Business Commissioner

Appropriation funding for the Office of the Small Business Commissioner is paid by DTF to the Department for Manufacturing, Innovation, Trade, Resources and Energy (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 operations.

Energy, Policy and Regulation

The Department provides policy advice on energy issues, energy program delivery, and regulatory services for the competitive, sustainable, safe and reliable supply and use of energy, for the benefit of the South Australian community. This function comprises the Renewable Remote Power Generation Program and Natural Gas Authority of SA. This program ended in 2011-12.

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.

Native Title Agreement

The Department collects revenue via a levy equivalent to 1% of the total royalty payable for relevant royalty payers. This is offset by payments made to two Aboriginal councils in the APY Lands.

Motor Accident Commission

Functional responsibility

Establishment

The Motor Accident Commission (the Commission) is a statutory authority established pursuant to the *Motor Accident Commission Act 1992* (the MAC Act).

Functions

The main function of the Commission is to provide compulsory third party (CTP) insurance to motor vehicle users in South Australia.

The principal objectives of the Commission in providing CTP insurance are to:

- achieve and maintain a sufficient level of solvency in the Compulsory Third Party Fund (the CTP Fund)
- minimise premium charges having regard to the Commission's objective of achieving and maintaining a sufficient level of solvency in the CTP Fund
- deal with claims for compensation in accordance with law as expeditiously as possible.

Pursuant to section 18 of the MAC Act, the Minister must prepare, in consultation with the Commission, a charter, which may limit the functions or powers of the Commission.

The Commission's charter specifies that the Commission is empowered to undertake the following classes of insurance:

- CTP insurance (in accordance with the *Motor Vehicles Act 1959*)
- financial risk insurance.

Scheme reform

On 20 June 2013 the *Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013* was proclaimed. The proclamation required certain sections of this Act to come into operation from 1 July 2013 and other sections to come into operation from 1 July 2014.

The sections that came into operation on 1 July 2013 introduced thresholds for compensation for economic and non-economic loss and placed caps on legal fees. Compensation for non-economic loss is now based on a severity of injury scale ranging from one to 100. If the injury scale value of an injured person is assessed as 79 or more then the damages are set at $300 000 (indexed).

Other sections that came into operation on 1 July 2013 provide for the establishment of the Lifetime Support Authority of South Australia which must be audited by the Auditor-General. This authority has not yet been established. Once established it will be responsible for the Lifetime Support Scheme Fund and must, among other things, monitor the operation of the Lifetime Support Scheme (the Scheme). The Scheme will provide lifetime care and support to persons catastrophically injured by or through the use of motor vehicles in South Australia irrespective of who is at fault. A levy on motor vehicle registrations must be imposed and paid into the fund. The levy must be set at a rate that will result in the required contributions determined by an independent actuary to meet the present and future liabilities of the fund. The levy will not begin being charged until after the new authority is established.

The sections that come into operation on 1 July 2014 enable injured persons to begin participating in the Scheme and obtaining benefits.

The estimate of the Commission's outstanding claims liability recognised in the financial statements will not begin reflecting the effects of scheme reform until after 1 July 2013.

Contribution commitment

Note 21 of the financial statements discloses a commitment by the Commission to contribute $100 million in 2013-14 towards a dedicated fund to be used for road safety initiatives with a particular focus on the treatment of Black Spots. It is intended the contribution will be made from the CTP Fund as required by the Treasurer pursuant to section 25(5)(d) of the MAC Act for road safety initiatives in accordance with the functions and objectives of the Commission under section 14(1)(d).

The proposed contribution of $100 million was provided for in the 2013-14 State Budget. In early August 2013 Audit sought through written communication with the Commission a specific understanding of the nature of the proposed contribution relative to the provisions of the MAC Act and for consideration of financial reporting treatment and disclosure. Further comment on this matter is contained in Part C of this Report.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 28(3) of the MAC Act and section 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts and financial report of the Commission in respect of each financial year.

Assessment of controls

Section 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Commission in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an opinion to be formed with respect to the financial report and internal controls.

During 2012-13, specific areas of audit attention included:

- investment assets
- investment income
- claim payments
- outstanding claim liabilities
- premiums.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Motor Accident Commission as at 30 June 2013, 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.

Assessment of controls

In my opinion, the controls exercised by the Motor Accident Commission in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the Shared Services SA matters raised under 'Communication of audit matters' are sufficient to provide reasonable assurance that the financial transactions of the Motor Accident Commission have been conducted properly and in accordance with law.

Communication of audit matters

The review of the auditable areas (including financial report verification) indicated that the financial controls of the Commission were satisfactory. No matters (other than the matter discussed earlier under 'Contribution commitment') arose during the audit that required management letter communication to the Commission.

The matters relating to Shared Services SA as a service provider to the Commission are described below.

Shared Services SA – CHRIS payroll control environment

SSSA processes payroll transactions specific to the CHRIS HRMS system on behalf of the Commission in accordance with a service level determination with SSSA.

The audit of payroll transactions considered the payroll process and control environments of SSSA and the external bureau provider of the CHRIS HRMS payroll service to SSSA.

Review of the process and control environments in previous years has identified SSSA key control weaknesses covering segregation of duties and user access and certain security limitations of the CHRIS 5 application provided by the bureau service.

As SSSA implemented significant remediation action during the year, it was not effective throughout the entire year. As such the process and control environment could not be considered robust and effective for the 2012-13 financial year. Also the planned migration of payroll processing from CHRIS 5 to CHRIS 21, which would address security limitations, is yet to occur.

This matter is further discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report.

Shared Services SA – accounts payable and electronic payment control environments

SSSA operates an accounts payable function which involves the processing of transactions on behalf of the Commission under a service level determination. The function involves the e-Procurement system for ordering, receiving and invoice processing; Masterpiece payment transaction processing and vendor masterfile processing; EFT and cheque payment processing; and Masterpiece general ledger maintenance.

While SSSA continues to progress significant remedial measures to address prior years' key control weaknesses certain actions are still required before the control environments can be considered to be robust and effective.

This matter is further discussed in the commentary under 'Department of the Premier and Cabinet' elsewhere in Part B of this Report.

Interpretation and analysis of the financial report

Highlights of the Commission's financial report

	2013 $'million	2012 $'million
Underwriting result		
Net premium	572	543
Net claims	(413)	(608)
Underwriting expenses	(88)	(122)
Underwriting profit (loss)	71	(187)
Investment result		
Net investment revenue	42	79
Investment market value movements	258	74
Revenue from investment activities	300	153
Total comprehensive result	371	(34)
Net cash inflows (outflows) from operating activities	(8)	153
Assets		
Current assets	372	527
Non-current assets	2 938	2 427
Total assets	3 310	2 954
Liabilities		
Current liabilities	683	683
Non-current liabilities	1 859	1 874
Total liabilities	2 542	2 557
Equity	768	397

The Commission's financial performance is significantly influenced by two interrelated aspects of its business as outlined below:

- Underwriting result – underwriting operations are influenced by premium income, the number of claims and the estimated costs of settling those claims. The underwriting result is determined as premium revenue less claims expense (after the cost and recoveries associated with reinsuring a portion of the insurance portfolio's risk with third parties) and other underwriting costs.

  AASB 1023 requires the estimated costs of settling claims to be discounted for the time value of money using risk-free discount rates. Typically government bond rates are used as the risk-free discount rates. The Commission has adopted this typical approach. Likewise AASB 1023 requires the estimated costs of settling claims to be adjusted for inflationary factors likely to occur during the period of settlement. The combined wage and superimposed inflation rates in 2012 dropped from 7% to 6.25% and remained at 6.25% for 2013 whilst the discount rate in 2012 dropped from 5.1% to 2.8% and increased to 3.4% in 2013. The change to inflation and discount rates resulted in a $50 million reduction in the estimated cost of claims. Note 16 to the financial statements provides an analysis of the sensitivity of the outstanding claims liability to changes in discount and inflation rates.

- Investment result – investment operations are an integral part of any insurance business as the estimated return on invested funds is a significant component of the pricing strategy employed by the business.

  AASB 1023 requires that market value accounting be adopted in the accounting for and valuation of investments. This means that the investment result includes not only interest and related income received, but also changes in the market values of investments held at balance date. Changes in the market values of investments can be subject to wide fluctuations and it is important to emphasise that investment market value movements recognised in the Commission's financial statements are unrealised. That is, until such time as the investments are sold, no gain or loss is actually received or incurred by the Commission.

Statement of Comprehensive Income

Underwriting result

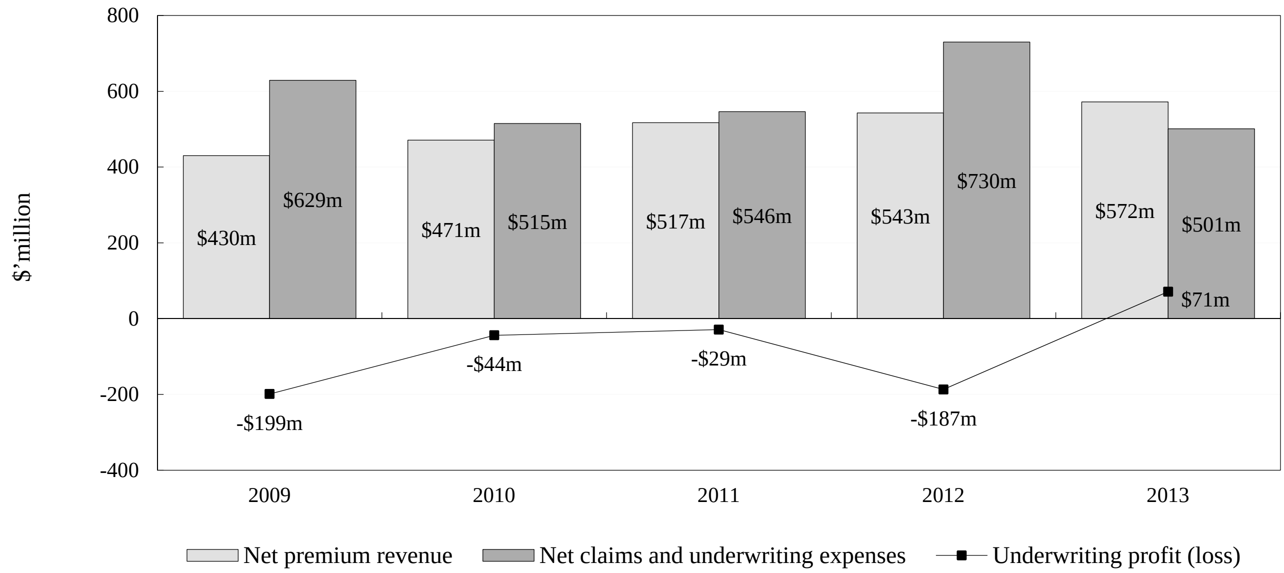
The underwriting result moved from a loss of $187 million in 2012 to a profit of $71 million in 2013. The main components of this result are outlined below.

Net premium revenue increased by $29 million to $572 million. This reflects the approved average increase in premiums of 4.63% (2.4%) for the 2013 financial year. The steady increase in premiums each year has assisted the Commission to achieve its solvency requirements. Details of premium increases over the five years to 2013 are provided under the heading 'Solvency level'.

Claims expense is a combination of actual claim payments and the movement in the outstanding claims provision. The claims expense for 2013 was $411 million ($615 million) and comprised gross claim payments of $383 million ($338 million) coupled with the increase in the outstanding claims provision of $29 million ($277 million) which is explained further under the heading 'Outstanding claims'.

Underwriting expenses fell by $34 million primarily as a result of a drop in the unexpired risk expense of $53 million which was offset by an increase in levies and charges paid to other SA Government entities, up $3 million, and management expenses, up $15 million due mainly to incentive fees paid to the Commission's claims agent. Note 9 to the financial statements explains the drop in unexpired risk expense.

An analysis of the underwriting result for the Commission for the five years to 2013 is presented in the following chart.

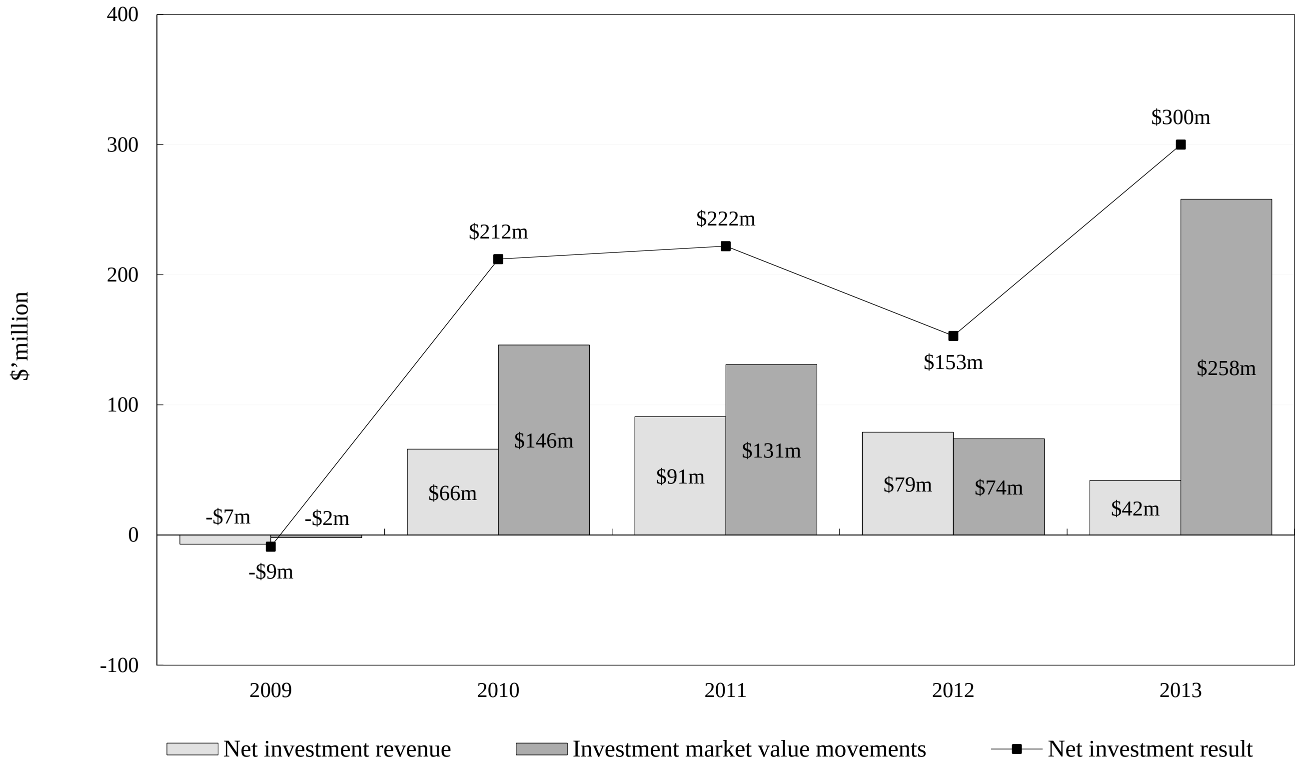


Investment result

The net investment result is a combination of net investment revenue and investment market value movements. The net investment result this financial year was a surplus of $300 million compared with $153 million the previous year. This reflected improvements in investment markets. Net investment revenue was a surplus of $42 million, down $37 million, and the market value movement was $258 million, up $184 million.

Since 2008-09 the Commission has used Superannuation Funds Management Corporation of South Australia (Funds SA), the State Government investment body, to manage the majority of its investment portfolio. The Commission holds investments in unit trusts within Funds SA where the majority of income is derived through movement in the value of unit holdings rather than through direct receipt of interest and dividend income. In addition to investing with Funds SA, the Commission over recent years has purchased more investment properties interstate increasing rental income to $38 million in 2013, which was offset by a fall of $13 million in the market value of its properties. The change in investment income components can be seen in the following chart.

An analysis of the investment result for the Commission for the five years to 2013 is shown in the following chart.

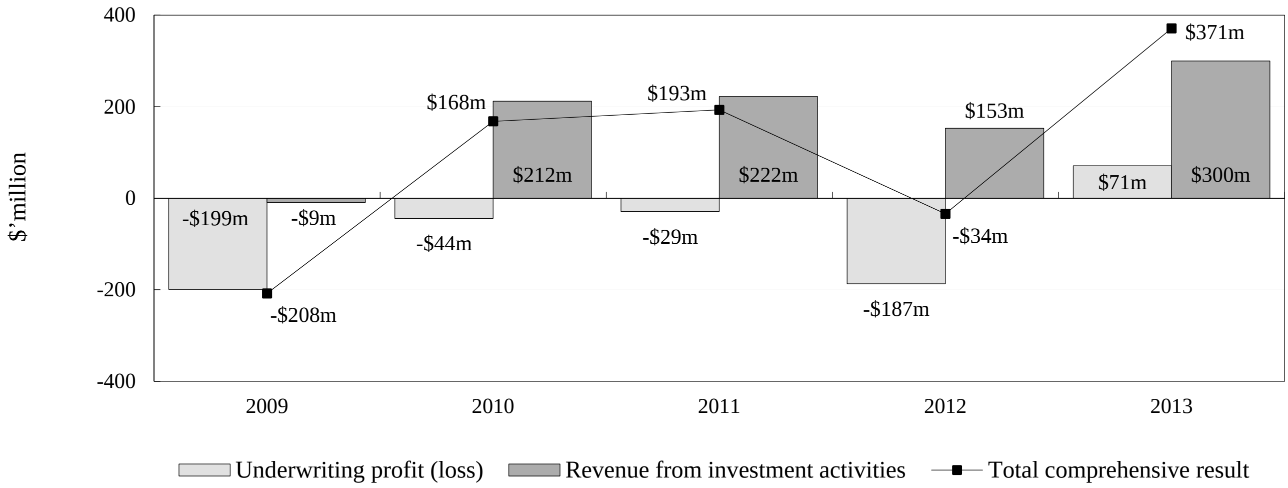


It can be seen from the chart that the positive net investment results for the years 2010 to 2013 far outweighed the losses incurred in 2009. Equally, the chart highlights the volatility of investment markets in recent years. Note 19(6) to the financial statements explains market risk and illustrates the effect of market movements.

Total comprehensive result

The Commission's total comprehensive result was a profit of $371 million compared to a $34 million loss in the previous year. This result highlights the importance of changes in discount rates and investment markets to the overall operating result.

The importance of changes in discount rates and investment markets to the Commission's operating result can be seen from the following chart.

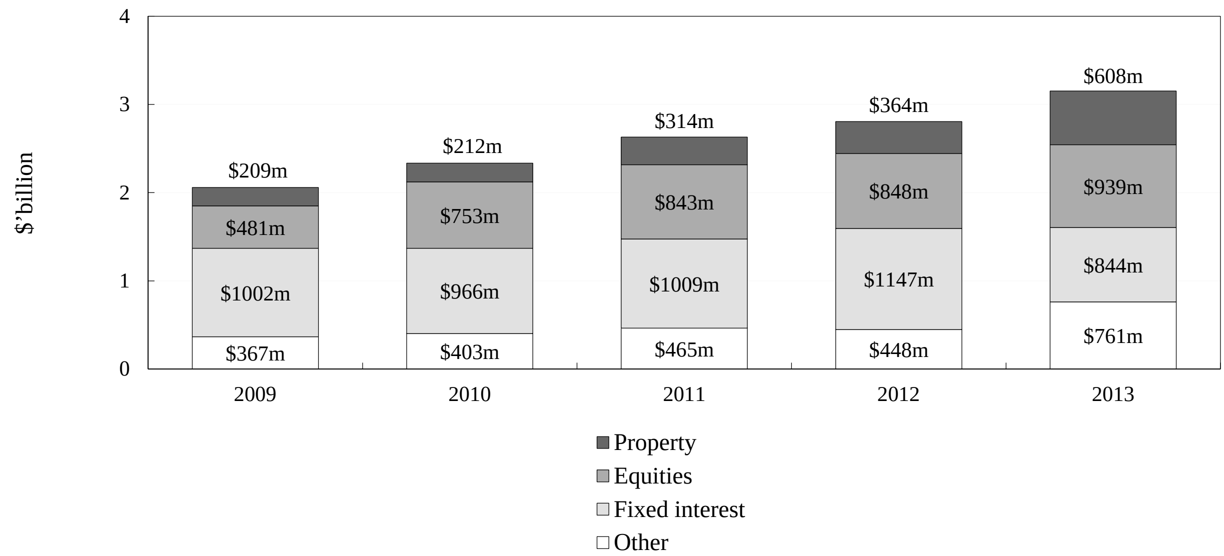


Statement of Financial Position

Investments

The total value of investment assets excluding cash increased by $1.1 billion over the five years to 2013 with investments totalling $3.2 billion as at 30 June 2013. The Commission does not directly hold investments such as equities but rather has interests in Funds SA's pooled investment portfolios. The Commission is responsible for setting the investment objectives and strategic asset allocation for the various investment sectors. Funds SA is responsible for managing the investment portfolios in accordance with the agreed asset allocations and reporting investment performance to the Commission on a monthly basis. During 2013 the Commission reduced its investments in fixed interest unit trusts and purchased more investment properties.

For the five years to 2013 a structural analysis of investment assets (excluding cash) is shown in the following chart.



Outstanding claims

The primary liability of the Commission is for outstanding claims. The liability covers claims reported but not yet paid, incurred but not yet reported, the anticipated direct and indirect costs of settling those claims and estimated reinsurance and other insurance costs.

Calculation of the liability is an estimation process and a range of factors, including economic assumptions, affect the calculation. There is therefore a need for professional actuaries to undertake the calculation and for reporting purposes detailed disclosure of a range of the assumptions made in the calculation to be included in the notes to the financial statements.

The liability is calculated and reviewed by independent actuaries for the Commission. Detail of the calculation is provided in notes 2(e) and 16 to the Commission's financial statements.

The provision for outstanding claims has increased by $502 million over the last five years. In 2013 the provision increased by $28 million ($277 million) to $2.3 billion. The movement in the provision is a combination of the estimated cost of settling claims incurred in 2013, any changes in the estimated cost of settling claims incurred in previous years, together with any payments made to settle claims.

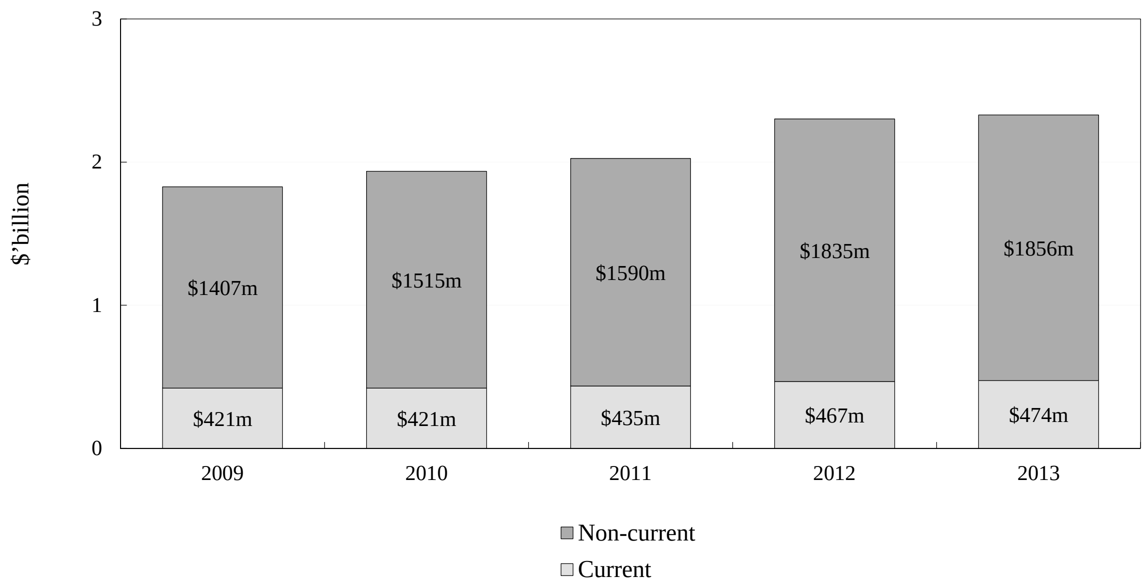
Factors considered by the Actuary that impact the estimate of amounts required to settle claims include the:

- number of claims incurred
- length of time taken to settle the claim
- average amount of claim payments
- inflation and discount rates used.

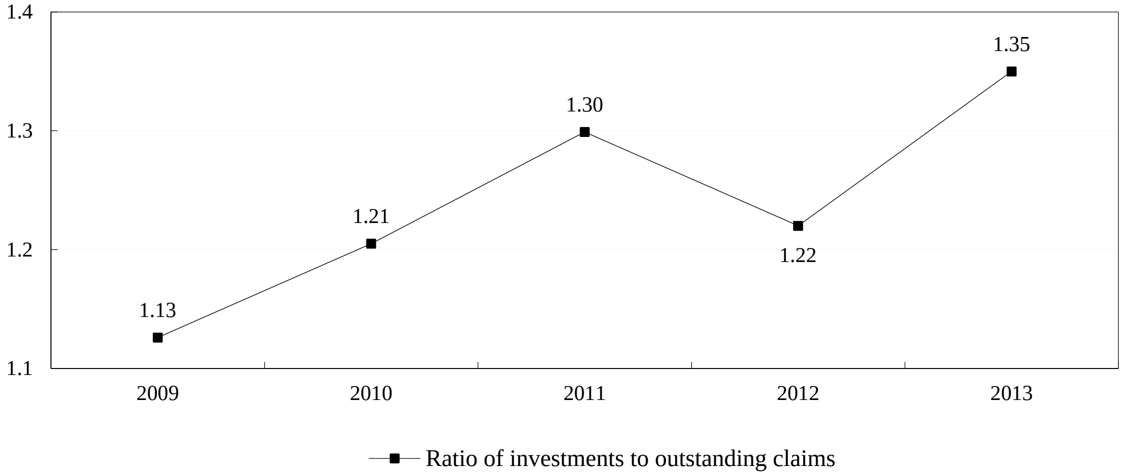
Also impacting on the calculation of the outstanding claims liability are the solvency requirements promulgated by the Treasurer pursuant to the MAC Act, which require a risk margin to be included in the provision to achieve an 80% probability that the provision is adequate. This requirement exceeds the Australian Prudential Regulation Authority (APRA) nominated target of 75% probability of sufficiency, as set out in Prudential Standard GPS 310. Refer to further commentary provided in the next section 'Solvency level'.

The 2013 provision includes $319 million ($315 million) for the risk margin. The increased provision at 30 June 2013 was mainly due to increased claims experience which was offset by a drop of $50 million caused by increasing the discount rate from 2.8% to 3.4% whilst leaving the inflation rate unchanged.

The following chart sets out details of the outstanding claims liability for the five years to 2013.



The ratio of investments excluding cash to outstanding claims liability is shown in the following chart. The ratio shows that the value of the Commission's assets is sufficient to cover the value of its outstanding claims. The ratio increased in 2013 which principally reflects the increased value of investments.



Solvency level

Section 14(3) of the MAC Act requires the Commission to seek to achieve and maintain a sufficient level of solvency for the CTP Fund in accordance with a formula determined by the Treasurer.

The primary aim of establishing a benchmark level of solvency is to ensure that the CTP Fund can reasonably be expected to meet all of its liabilities as they fall due, and essentially reflects the target level of reserves deemed by the Treasurer to be appropriate for the CTP Fund to provide comfort that the Scheme will endure future market turbulence with minimal risk of falling into a negative net assets position.

The formula specifies that the CTP Fund will have a sufficient level of solvency if its assets exceed the sum of:

- the Fund's liabilities
- 10% of the outstanding claims liabilities provision
- 10% of the premium liabilities provision
- 10% of the investments in equities and property.

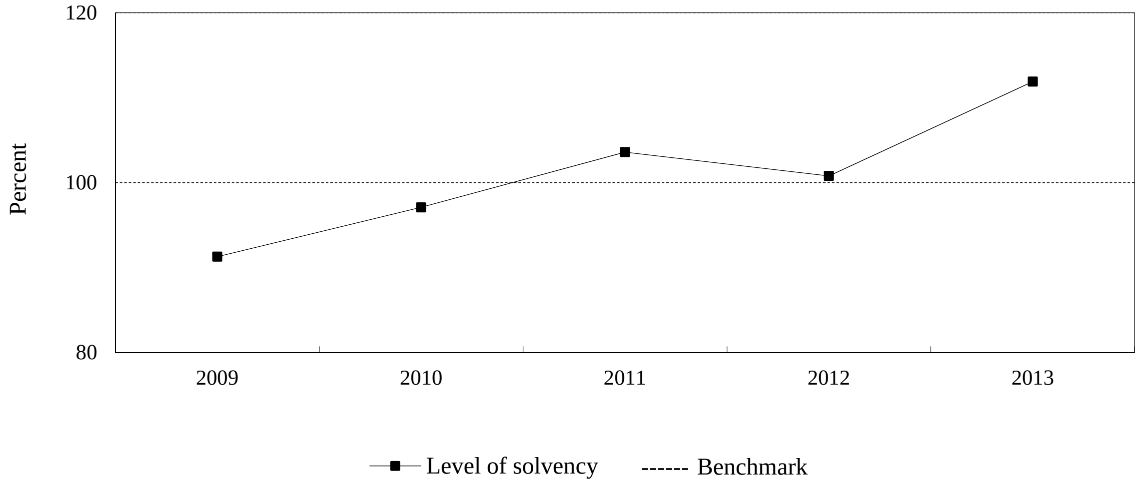
The Treasurer also requires that the provisions for outstanding claims liabilities and premium liabilities include a prudential margin which will be calculated by reference to an 80% probability that the provisions will be adequate as reported in actuarial reports to the Commission and also that the calculation of these provisions comply with the requirements of:

- AASB 1023
- Professional Standard 300 'Valuations of General Insurance Claims' issued by the Institute of Actuaries of Australia
- APRA Prudential Standard GPS 310 (now GPS 320) in respect of the outstanding claims liabilities and premium liabilities (with the exception that the risk margins adopted are to be at the 80% probability of sufficiency compared with the 75% probability APRA requires).

As at 30 June 2013 the target level of assets, as determined by application of the formula, was $2957 million. The assets of the CTP Fund as at that date were $3309 million or 111.9% (100.8%) of the target level of solvency.

The level of solvency is impacted heavily by changes to investment markets and adjustments to assumptions used to estimate the outstanding claims liability.

The following chart shows the level of solvency achieved over the past five years.



As well as having a sound net assets position, other key characteristics of the Commission that assist to ensure that the CTP Fund can reasonably be expected to meet all of its liabilities as they fall due include the:

- annual income stream and cash flow from the receipt of statutory premium income
- liquidity of investments allowing redemption of a high proportion of investments as required
- prudential margins built into the outstanding claims estimate.

Third party insurance premiums

The recent history regarding the implementation of premium changes recommended by the Third Party Premiums Committee (TPPC) is outlined below:

	2013 %	2012 %	2011 %	2010 %	2009 %
TPPC:					
Recommended rise (effective for the year ending 30 June)	4.63	2.4	7.3	17.6	10.9
Actual rise	4.63	2.4	7.3	7	6.3
Difference	-	-	-	10.6	4.6

As can be seen from the table, for the years 2009 and 2010 the Treasurer approved premium increases less than the premiums recommended by the TPPC.

Section 25(3a) of the MAC Act requires that subject to any direction of the Treasurer to the contrary, the Commission must not, while there is a less than sufficient level of solvency in the CTP Fund, fix its third party insurance premiums at amounts less than those determined by the TPPC. Application of this section since its promulgation in 2002 has contributed to the solvency level being achieved. In 2011 and subsequent years the increase recommended by the TPPC was implemented whilst in 2009 and 2010 an increase less than that recommended was implemented.

The risk of decreasing premiums or implementing a less than recommended increase is that it places additional reliance on achieving good investment returns. If this is not achieved or indeed when there is a significant downturn in investment performance, there may be little margin in the solvency position to absorb the impact of the downturn. In 2009 poor investment returns were coupled with less than recommended premium increases which resulted in the solvency requirement not being achieved in 2009. In 2010 investment returns increased significantly, however this alone had not been enough to return the CTP Fund to its sufficient level of solvency. In 2011 and subsequent years the increases in investment returns coupled with the rise in premiums being at the level recommended by the TPPC, resulted in the required level of solvency being achieved.

Under the provisions of the MAC Act, two of the principal objectives of the Commission in providing CTP insurance are to achieve and maintain a sufficient level of solvency in the CTP Fund and to minimise premium charges having regard to the Commission's objective of achieving and maintaining a sufficient level of solvency in the CTP Fund. The TPPC considers these two objectives when making its premium recommendation which is determined based on the circumstances prevailing at the time in relation to expected premium income, projected claim costs and investment returns.

Statement of Cash Flows

The following table summarises the net cash flows for the five years to 2013.

	2013 $'million	2012 $'million	2011 $'million	2010 $'million	2009 $'million
Net cash flows					
Operating	(8)	153	114	19	28
Investing	-	(1)	-	-	(1)
Change in cash	(8)	152	114	19	27
Cash at 30 June	315	323	171	57	38

The analysis of cash flows shows that the Commission's cash position has decreased in 2013. Cash at 30 June includes deposits at call of $208 million. Cash was again abnormally high at 30 June 2013 reflecting an anticipated $100 million contribution by the Commission in 2014 towards a dedicated fund to be used for road safety initiatives with a particular focus on the treatment of Black Spots. Refer note 21 to the financial statements. Cash was abnormally high at 30 June 2012 reflecting cash on hand to pay for a purchased property which at that time was expected to be settled in July 2012.

Statement of Comprehensive Income
for the year ended 30 June 2013

		CTP		MAC	
		2013	2012	2013	2012
	Note	$'000	$'000	$'000	$'000
Premium revenue	5	578 094	548 497	578 094	548 497
Outwards reinsurance expense		(5 623)	(5 156)	(5 623)	(5 156)
Net premium		572 471	543 341	572 471	543 341
Claims expense	6	(411 314)	(614 649)	(411 306)	(614 656)
Reinsurance and other recoveries	5	(1 935)	6 741	(1 935)	6 741
Net claims	20	(413 249)	(607 908)	(413 241)	(607 915)
Unexpired risk expense	9	38 452	(14 258)	38 452	(14 258)
Other underwriting expenses	7	(126 919)	(108 530)	(126 677)	(108 488)
Underwriting profit (loss)		70 755	(187 355)	71 005	(187 320)
Investment revenue	5	49 632	85 876	49 412	86 087
Other revenue	5	342	210	375	208
Investment management fee		(8 147)	(7 102)	(8 147)	(7 102)
Net investment revenue		41 827	78 984	41 640	79 193
Net result before market value movements		112 582	(108 371)	112 645	(108 127)
Investment market value movements	5	258 596	74 023	258 596	74 023
Net result		371 178	(34 348)	371 241	(34 104)
Total comprehensive result		371 178	(34 348)	371 241	(34 104)

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2013

		CTP		MAC	
		2013	2012	2013	2012
	Note	$'000	$'000	$'000	$'000
Current assets:					
Cash	24	106 767	94 075	106 983	94 730
Receivables	8	13 384	11 177	13 465	11 186
Reinsurance and other recoveries receivable	10	2 710	2 769	2 710	2 769
Other financial assets	11	227 695	397 845	227 695	397 845
Prepayments		20 967	20 736	20 967	20 736
Total current assets		371 523	526 602	371 820	527 266
Non-current assets:					
Receivables	8	300	300	-	-
Reinsurance and other recoveries receivable	10	12 591	17 006	12 591	17 006
Other financial assets	11	2 316 254	2 052 817	2 316 254	2 052 817
Investment property	12	608 400	356 100	608 400	356 100
Property, plant and equipment	13	-	-	714	739
Total non-current assets		2 937 545	2 426 223	2 937 959	2 426 662
Total assets		3 309 068	2 952 825	3 309 779	2 953 928
Current liabilities:					
Payables	14	11 091	14 912	10 380	14 780
Unearned income	15	194 248	194 633	194 248	194 633
Outstanding claims	16	474 521	466 588	474 523	466 590
Unexpired risk liability	9	-	2 692	-	2 692
Provisions	18	3 590	4 300	3 934	4 634
Total current liabilities		683 450	683 125	683 085	683 329
Non-current liabilities:					
Unearned income	15	2 034	2 295	2 034	2 295
Outstanding claims	16	1 855 846	1 835 085	1 855 898	1 835 148
Unexpired risk liability	9	-	35 760	-	35 760
Provisions	18	-	-	507	382
Total non-current liabilities		1 857 880	1 873 140	1 858 439	1 873 585
Total liabilities		2 541 330	2 556 265	2 541 524	2 556 914
Net assets		767 738	396 560	768 255	397 014
Equity:					
Retained earnings		767 738	396 560	768 255	397 014
Total equity		767 738	396 560	768 255	397 014

Total equity is attributable to the SA Government as owner

Commitments	21
Contingent assets and liabilities	26

Statement of Changes in Equity
for the year ended 30 June 2013

	CTP	MAC
	$'000	$'000
Retained earnings at 30 June 2011	430 908	431 118
Total comprehensive result for 2011-12	(34 348)	(34 104)
Retained earnings at 30 June 2012	396 560	397 014
Total comprehensive result for 2012-13	371 178	371 241
Retained earnings at 30 June 2013	767 738	768 255

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

Statement of Cash Flows
for the year ended 30 June 2013

		CTP		MAC	
		2013	2012	2013	2012
		Inflows	Inflows	Inflows	Inflows
		(Outflows)	(Outflows)	(Outflows)	(Outflows)
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities:					
Cash receipts from CTP insurance premiums		631 137	604 060	631 137	604 060
Other cash receipts in the course of operations		3 055	3 044	3 088	3 475
Proceeds from sale of property		425	-	425	-
Cash payments in settlement of claims		(415 180)	(359 488)	(415 180)	(359 488)
Cash payments for purchase of property		(286 283)	(109 006)	(286 283)	(109 006)
Other cash payments in the course of operations		(102 085)	(116 915)	(102 513)	(117 052)
Interest and other investment income		161 704	130 602	161 732	130 641
Net cash inflows (outflows) from operating activities	24	(7 227)	152 297	(7 594)	152 630
Cash flows from investing activities:					
Payment for property, plant and equipment		-	-	(72)	(761)
Net cash inflows (outflows) from investing activities		-	-	(72)	(761)
Net increase (decrease) in cash held		(7 227)	152 297	(7 666)	151 869
Cash at 1 July		322 075	169 778	322 730	170 861
Cash at 30 June	2(q),24	314 848	322 075	315 064	322 730

Notes to and forming part of the financial statements

1. Activities of the Motor Accident Commission (MAC or the Commission)

MAC's principal activity is the underwriting of compulsory third party (CTP) insurance in South Australia.

With the introduction of changes to South Australia's Compulsory Third Party Scheme (the Scheme), MAC is implementing a series of scheme reforms designed to improve the Scheme's affordability, deliver a consistent compensation system for those injured in a motor vehicle crash and promote optimal recovery for injured people.

2. Statement of significant accounting policies

(a) Basis of preparation

MAC has prepared these financial statements in compliance with section 23 of the PFAA.

The financial report has been prepared with MAC being treated as a not-for-profit entity.

(a) Basis of preparation (continued)

The financial report contains consolidated financial statements for MAC and MAC CTP Fund for the year ended 30 June 2013. The financial statements of MAC and MAC CTP Fund are prepared for the same reporting period, using consistent accounting policies. All intra-group balances, transactions, income and expenses are eliminated in full.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and comply with TIs and APSs promulgated under the provisions of the PFAA.

In the interest of public accountability and transparency, the APSs require the following note disclosure, which have been included in this financial report:

(i) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies

(ii) expenses incurred as a result of engaging consultants

(iii) employees whose normal remuneration is equal to or greater than the base executive remuneration (within $10 000 bandwidths) and the aggregate of the remuneration level paid or payable or otherwise made available, directly or indirectly by the entity to those employees

(iv) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by MAC for the reporting period ending 30 June 2013 (refer note 3).

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

(b) Premium revenue

The earned portion of premiums received and receivable, is recognised as revenue. Premium is treated as earned from the date of attachment of risk. Unearned premium is determined by apportioning the premiums written prior to year end on a daily pro-rata basis.

(c) Investment income

Fees and discounts are amortised over the period to which they relate. Interest is taken to income on an earned basis. Investment income is reported after deducting costs and expenses relating to management, operation and maintenance of the investment portfolio.

(d) Outwards reinsurance

Premiums paid to reinsurers are recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance is treated at balance date as a prepayment.

(e) Claims

Claims expense and a liability for outstanding claims are recognised in respect of the direct insurance and inwards reinsurance businesses. The liability covers claims reported but not yet paid, incurred but not reported claims (IBNRs), the anticipated direct and indirect costs of settling those claims and estimated reinsurance and other insurance recoveries. Claims outstanding are based on average or individual claim file estimates, with IBNRs and settlement costs calculated using statistics from past experience and trends.

(i) CTP claims

The liability for outstanding CTP claims is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation. The expected future payments are discounted to present value at balance date and a margin is included to provide sufficient confidence that the provision is adequate. The outstanding claims liability is subject to actuarial assessment.

A risk margin is added to the outstanding claims provision to increase the probability that the net liability is adequately provided to a sufficiency level of 80%.

(ii) Other claims

In the insurance and inwards reinsurance businesses, delays occur in the notification of information normally used in the calculation of claims provisions. The directors, having due consideration for the nature of the risks involved and any material event that would adversely affect the operating results, have provided an amount for claims in the accounts that is sufficient to cover known events and at the same time, assist to maintain prudential reserves.

(f) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and IBNRs are recognised as revenue. Recoveries receivable used in the calculation of claims provisions are brought to account where they can be reliably measured. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims.

(g) Unexpired risk

AASB 1023 requires an assessment of the net unearned premium reserve to ensure that it is at least equal to the future claims expense, inclusive of a prudential margin and associated claims management expenses. If this is not so, then additional provisioning is included such that this condition is met.

An assessment of the expected future claims relating to the unexpired risk period represented by the unearned premium has been undertaken by the actuaries as at 30 June 2013.

In order to meet the liability adequacy test (LAT), additional provisioning is included at a probability of sufficiency of 80%. However, as at 30 June 2013, the additional provisioning was $0 because the LAT was lower than the net unearned premium.

(h) Collection charges

Costs incurred in obtaining and recording policies of insurance are recognised as collection costs and have been brought to account during the financial year as they do not represent a future benefit.

(i) Levies and charges

A liability for levies and charges is recognised on business written to balance date. Levies and charges payable by MAC are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment, which is the licence fee payable to RevenueSA.

(j) Receivables

(i) Trade debtors

Trade debtors principally relate to premiums collected by the Department for Planning, Transport and Infrastructure, an agent of MAC, not yet passed over to the CTP Fund. The settlement of these amounts occurs within seven working days.

(ii) Investment debtors

Investment debtors consists of interest and rental due on other investments.

The collectability of debts is assessed at balance date and specific allowance is made for any doubtful debts. The carrying amount of receivables approximates fair value due to being receivable on demand.

(k) Other financial assets

AASB 1023 requires that assets backing insurance liabilities are to be measured at fair value with any changes in value taken to the Statement of Comprehensive Income. All assets of an investment nature held by the CTP Fund are considered to be for the purpose of backing insurance liabilities.

(i) Unit trusts

The bulk of MAC's investment portfolio is held with the Superannuation Funds Management Corporation of South Australia (Funds SA), the SA Government investment body. These investments are held via unit trusts in a range of asset classes. Market quotations are used as the valuation basis for these units.

(ii) Property securities

By market quotations as at 30 June 2013.

(iii) Other investments

Other investments are valued based on current economic conditions, market interest rates and the latest available information on the investments as considered appropriate by the directors.

(l) Investment properties

Investment properties are properties which are held for long-term rental yields or for capital appreciation or both. Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties. The 2013 revaluations were based on independent assessments made by members of the Australian Property Institute.

Changes in fair value are recognised in the Statement of Comprehensive Income. Rental income is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

(m) Employee benefits

A liability for employee benefits has been accrued at 30 June 2013.

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

Wages, salaries, annual leave, 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 provision and the skills and experience retention leave 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.

LSL

The liability for LSL 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 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 SA Government entities across the government sector. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, LSL and annual leave and are accounted for under payables.

Superannuation

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

(n) Taxation

MAC is an income tax exempt organisation pursuant to section 24AK of the ITAA.

MAC is liable for payroll tax, FBT, GST, Emergency Services levy, land tax and local government rates.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the 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.

(n) Taxation (continued)

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

(o) Property, plant and equipment

MAC has adopted the fair value method of valuing its property, plant and equipment assets. Plant and equipment and building fitout are recorded at cost and depreciated over their estimated useful lives. The rates of depreciation are detailed below. Land and buildings are treated as investments and are consequently not subject to depreciation.

The useful lives of all major assets held by MAC are reassessed on an annual basis.

Depreciation/Amortisation for non-current assets is determined as follows:

Asset class	*Depreciation method*	*Depreciation rate (%)*
Plant and equipment	Diminishing value	20
Building fitout	Straight-line	Over the remaining useful life
Other	Straight-line	10

(p) Payables

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

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

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

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or the date the invoice is first received.

Employee benefits on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, LSL, annual leave and skills and experience retention leave.

The carrying amount of payables approximates fair value due to amounts owing being payable on demand.

(q) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term deposits at call.

(r) Provision for incentive payment

A liability for payment of a financial outcome measure incentive to Allianz has been accrued at 30 June 2013. Payment of the incentive is based on Allianz's performance in reducing the cost of claims over the period from 1 July 2012 to 31 December 2013, compared to benchmarks in accordance with the terms of the CTP Services Contract. The Scheme actuaries have determined the amount that would be payable as at 31 December 2013.

(s) Rounding

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

(t) Interest in a jointly controlled property

MAC has a 50% interest in a jointly controlled property at 400 George Street, Brisbane. In addition, MAC recognises its interest in the jointly controlled property by recognising its share of liabilities, expenses and income from the use and output of the jointly controlled property.

(u) Events after the reporting date

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

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

3. Changes in accounting policies

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

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by MAC for the reporting period ending 30 June 2013. MAC 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.

	CTP		MAC	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
4. Net result				
Net result is arrived at after crediting and charging the following specific items:				
Credits:				
Interest received/receivable	10 866	12 522	10 893	12 561
Charges:				
Amounts set aside to provide for:				
Employee benefits	-	-	152	250
Depreciation of property, plant and equipment	-	-	89	83
5. Revenue				
Premium revenue:				
Direct	578 094	548 497	578 094	548 497
	578 094	548 497	578 094	548 497
Reinsurance and other recoveries:				
Other	(1 935)	6 741	(1 935)	6 741
	(1 935)	6 741	(1 935)	6 741
Investment revenue:				
Interest	10 866	12 522	10 893	12 561
Rentals	38 031	26 621	37 784	26 793
Profit - investments realised	735	46 733	735	46 733
	49 632	85 876	49 412	86 087
Investment market value movements - unrealised gains (losses):				
Fixed interest	15 380	91 479	15 380	91 479
Equities	222 197	(42 181)	222 197	(42 181)
Properties	(12 798)	4 927	(12 798)	4 927
Other	33 817	19 798	33 817	19 798
	258 596	74 023	258 596	74 023
Other revenue:				
Foreign exchange gains (losses)	-	-	11	(2)
Other	342	210	364	210
	342	210	375	208
Total revenue	884 729	715 347	884 542	715 556
6. Claims expense				
Claims paid*	382 623	337 987	382 623	337 987
Claims provision adjustment	79 345	150 543	79 345	150 543
Adjustment for economic assumptions	(50 654)	126 119	(50 654)	126 119
	411 314	614 649	411 314	614 649
Non-CTP business	-	-	(8)	7
	-	-	(8)	7
	411 314	614 649	411 306	614 656

* Claims paid includes supplies and services paid or payable to SA Government entities as follows:

	2013	2012
	$'000	$'000
Ambulance and helicopter rescue services	6 095	6 095

7. Other underwriting expenses

	CTP		MAC	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Management expenses*	53 021	37 825	52 779	37 783
Levies and charges**	62 398	59 205	62 398	59 205
Collection charges**	11 500	11 500	11 500	11 500
	126 919	108 530	126 677	108 488

* Management expenses include supplies and services paid or payable to SA Government entities as follows:

	2013	2012
	$'000	$'000
Corporate support services	754	216
Road safety supplies and services	1 371	1 394

** In relation to levies and charges and collection charges, the entire amount was paid or payable to SA Government entities.

8. Receivables

	CTP		MAC	
	2013	2012	2013	2012
Current:	$'000	$'000	$'000	$'000
Trade debtors	8 232	7 366	8 245	7 373
Other debtors	-	-	67	-
	8 232	7 366	8 312	7 373
Investment debtors	5 152	3 811	5 153	3 813
	5 152	3 811	5 153	3 813
	13 384	11 177	13 465	11 186
Non-current:				
Payroll advance	300	300	-	-
	13 684	11 477	13 465	11 186

Investment debtors consist of interest and rent due on investments.

Other debtors generally arise from transactions outside the usual operating activities of the Commission.

9. Unexpired risk liability

AASB 1023 requires an LAT which is an assessment of the net unearned premium reserve to ensure that it is at least equal to the future claims expense, inclusive of a prudential margin and associated claims management expenses. If this is not so, then additional provisioning is included such that this condition is met.

An assessment of the expected future claims relating to the unexpired risk period represented by the unearned premium has been undertaken by the actuaries as at 30 June 2013.

	CTP		MAC	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Central estimate of present value of future claims	133 000	167 200	133 000	167 200
Risk margin	33 300	41 800	33 300	41 800
Present value of expected future claims	166 300	209 000	166 300	209 000
Unearned premium liability	194 247	192 111	194 247	192 111
Related reinsurance asset	(904)	(827)	(904)	(827)
Prepaid licence fees	(20 967)	(20 736)	(20 967)	(20 736)
	172 376	170 548	172 376	170 548
Unexpired risk liability	-	38 452	-	38 452

In order to meet the LAT, additional provisioning for the premium liability is included at a probability of sufficiency of 80% (80%) which results in a risk margin of 25% (25%). However, as at 30 June 2013, the additional provisioning was $0 because the LAT was lower than the net unearned premium. This risk margin is based on the actuaries knowledge of industry practice for CTP insurance portfolios which they consider are appropriate for MAC. As MAC has only one class of insurance, no allowance has been made for diversification of insurance classes.

9. Unexpired risk liability (continued)

	CTP		MAC	
	2013	2012	2013	2012
Unexpired risk liability:	$'000	$'000	$'000	$'000
Balance at 1 July	38 452	24 194	38 452	24 194
Unexpired risk expense	(38 452)	14 258	(38 452)	14 258
Balance at 30 June	-	38 452	-	38 452
Unexpired risk liability:				
Current	-	2 692	-	2 692
Non-current	-	35 760	-	35 760
Total liability	-	38 452	-	38 452

10. Reinsurance and other recoveries receivable

Expected future recoveries (undiscounted)	17 989	22 931	17 989	22 931
Discount to present value*	(2 688)	(3 156)	(2 688)	(3 156)
Reinsurance and other recoveries receivable	15 301	19 775	15 301	19 775
Reinsurance and other recoveries receivable:				
Current	2 710	2 769	2 710	2 769
Non-current	12 591	17 006	12 591	17 006
	15 301	19 775	15 301	19 775

* Refer note 16(b) for details of the inflation and discount rates used in the determination of this discounting adjustment.

11. Other financial assets

Investments are held primarily with Funds SA via unit trusts in a range of asset classes.

	CTP		MAC	
	2013	2012	2013	2012
Current:	$'000	$'000	$'000	$'000
Fixed interest:				
Cash and deposits	208 081	228 000	208 081	228 000
Cash - unit trust	7 034	146 750	7 034	146 750
Fixed interest - unit trust	12 580	15 445	12 580	15 445
Property:				
Sales/Purchase deposits	-	7 650	-	7 650
Total current other financial assets	227 695	397 845	227 695	397 845
Non-current:				
Fixed interest:				
Fixed interest - unit trust	616 445	756 796	616 445	756 796
Equities:				
Australian equities - unit trust	436 663	419 441	436 663	419 441
International equities - unit trust	475 881	403 072	475 881	403 072
Absolute return - unit trust	26 902	25 000	26 902	25 000
Other:				
Internal inflation linked - unit trust	79 629	151 306	79 629	151 306
MAC infrastructure - unit trust	108 442	-	108 442	-
MAC diversified strategies income - unit trust	572 292	297 202	572 292	297 202
Total non-current other financial assets	2 316 254	2 052 817	2 316 254	2 052 817
Total other financial assets	2 543 949	2 450 662	2 543 949	2 450 662

12. Investment property

At fair value:				
Balance at 1 July	356 100	237 900	356 100	237 900
Acquisitions	286 283	109 006	286 283	109 006
Disposals	(22 400)	-	(22 400)	-
Capitalised subsequent expenditure	1 215	4 267	1 215	4 267
Net gain (loss) from fair value adjustments	(12 798)	4 927	(12 798)	4 927
Balance at 30 June	608 400	356 100	608 400	356 100

12. Investment property (continued)

Amounts recognised in the Statement of Comprehensive Income for investment property:	CTP 2013 $'000	CTP 2012 $'000	MAC 2013 $'000	MAC 2012 $'000
Rental income	48 954	38 143	48 707	38 315
Direct operating expenses	(10 923)	(11 522)	(10 923)	(11 522)
Total amount recognised	38 031	26 621	37 784	26 793

Valuation basis

Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties. The revaluations were based on independent assessments made by members of the Australian Property Institute.

Leasing arrangements

Commitments under non-cancellable operating leases at the reporting date are receivable as follows:	CTP 2013 $'000	CTP 2012 $'000	MAC 2013 $'000	MAC 2012 $'000
Not later than one year	50 312	32 989	50 312	32 989
Later than one year but no later than five years	201 550	107 499	201 550	107 499
Later than five years	137 902	63 687	137 902	63 687
	389 764	204 175	389 764	204 175

These operating leases are not recognised in the Statement of Financial Position as assets.

The non-cancellable leases are property leases with numerous tenants for a variety of terms where the rent payable is monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by various methods including CPI, fixed increases and to market. Options exist to renew some of the leases at the end of the term of those leases. Our property managers have provided information regarding the likely renewal of leases in the multiple leased premises. Our valuers have provided calculations to determine the commitments under non-cancellable operating leases as at 30 June 2013. In determining those figures, our valuers have based their calculations on the requirements of AASB 117.

13. Property, plant and equipment

	CTP 2013 $'000	CTP 2012 $'000	MAC 2013 $'000	MAC 2012 $'000
Building fitout	-	-	779	745
Accumulated depreciation	-	-	(145)	(69)
	-	-	634	676
Plant and equipment	-	-	100	75
Accumulated depreciation	-	-	(33)	(20)
	-	-	67	55
Other	-	-	13	13
Accumulated depreciation	-	-	-	(5)
	-	-	13	8
Total property, plant and equipment	-	-	714	739
Building fitout:				
Carrying amount at 1 July	-	-	676	15
Additions	-	-	34	730
Disposals	-	-	-	-
Depreciation	-	-	(76)	(69)
Carrying amount at 30 June	-	-	634	676
Plant and equipment:				
Carrying amount at 1 July	-	-	55	48
Additions	-	-	25	31
Disposals	-	-	-	(11)
Depreciation	-	-	(13)	(13)
Carrying amount at 30 June	-	-	67	55

13. Property, plant and equipment (continued)

	CTP		MAC	
	2013	2012	2013	2012
Other:	$'000	$'000	$'000	$'000
Carrying amount at 1 July	-	-	8	9
Additions	-	-	13	-
Disposals	-	-	(8)	-
Depreciation	-	-	-	(1)
Carrying amount at 30 June	-	-	13	8

14. Payables

Current:				
Trade creditors	-	-	-	1
Other creditors and accruals	11 091	14 912	10 380	14 779
	11 091	14 912	10 380	14 780

15. Unearned income

Current:				
Unearned premium	192 231	189 938	192 231	189 938
Unearned property income	2 017	4 695	2 017	4 695
	194 248	194 633	194 248	194 633
Non-current:				
Unearned premium	2 016	2 173	2 016	2 173
Unearned property income	18	122	18	122
	2 034	2 295	2 034	2 295
	196 282	196 928	196 282	196 928

16. Outstanding claims

(a) Expected future claims payments (undiscounted)	2 288 574	2 211 211	2 288 628	2 211 276
Risk margin applied (undiscounted)	363 293	350 124	363 293	350 124
Discount to present value:				
Central estimate	(277 526)	(224 283)	(277 526)	(224 283)
Risk margin applied	(43 974)	(35 379)	(43 974)	(35 379)
Liability for outstanding claims	2 330 367	2 301 673	2 330 421	2 301 738
Current	474 521	466 588	474 523	466 590
Non-current	1 855 846	1 835 085	1 855 898	1 835 148
Liability for outstanding claims	2 330 367	2 301 673	2 330 421	2 301 738

	CTP		MAC	
(b) The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims:	2013 %	2012 %	2013 %	2012 %
For the succeeding year:				
Inflation rate	6.25	6.25	6.25	6.25
Discount rate	3.40	2.80	3.40	2.80
For subsequent years:				
Inflation rate	6.25	6.25	6.25	6.25
Discount rate	3.40	2.80	3.40	2.80

	2013	2012	2013	2012
(c) The weighted average expected term to settlement of the outstanding claims from balance date is estimated to be:	Years 4.1	Years 4.0	Years 4.1	Years 4.0

The method of calculating outstanding claims is set out in detail in note 2(e).

The claims provision as at 30 June 2013 for the CTP Fund has been reviewed by the Fund actuaries, Mr L C Brett BSc, FIA, FIAA and Mr B A Watson BSc, FIAA of Brett & Watson Pty Ltd. The directors have adopted a central estimate plus a risk margin as determined by the actuaries to achieve an 80% probability that the provision will prove to be adequate. A risk margin of 16% (16%) has been applied and is based on the actuaries knowledge of industry practice for CTP insurance portfolios. As MAC only includes one class of insurance, no allowance has been made for diversification of insurance classes.

For inwards reinsurance, the directors have adopted an internal valuation of the estimated outstanding liability.

Sensitivity analysis

There is considerable uncertainty inherent in the estimation of the outstanding claims liability and in particular there is uncertainty attached to:

(a) the future claim inflation rate (including super imposed inflation) which is subject to systemic economic and social influences which cannot be fully and accurately predicted

(b) the number of future large claims settlements which because they are relatively few in number, are subject to significant random variation as well as systemic influence such as road and vehicle safety improvements and advances in medical technology which affect the number of seriously injured claimants within the Fund

(c) the numbers of claims receiving future settlements in respect of recent accident years.

The potential impact of changes in the parameters referred to above is set out below:

	Impact on provision	
Change in model parameters	%	$'000
Increase in claim inflation from 3.25% to 3.5%	0.8	18 600
Increase in discount rate from 3.4% to 3.9%	(1.7)	(40 200)
Decrease in assumed number of future large claim settlements by 5%	(1.8)	(41 600)
Increase in assumed number of future large claim settlements by 5%	1.8	41 500
Decrease in number of expected future settlements by 5% with a corresponding increase in other claims	(2.3)	(54 100)
Increase in number of expected future settlements by 5% with a corresponding decrease in other claims	2.3	53 800

Claims development

	Accident year ending 30 June										
Net ultimate claims cost estimate:	2004 $'000	2005 $'000	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	Total $'000
At end of accident year	338 640	326 705	354 460	382 329	426 940	444 156	459 249	483 650	492 426	514 693	
One year later	313 058	343 157	355 875	386 338	394 295	426 282	458 570	469 417	488 162		
Two years later	302 311	331 398	352 055	378 015	397 754	433 527	440 122	466 825			
Three years later	312 080	353 662	364 139	380 349	397 925	411 612	426 006				
Four years later	308 606	359 694	379 637	383 684	394 421	408 503					
Five years later	321 533	358 224	380 167	369 627	383 942						
Six years later	308 436	345 525	376 103	361 341							
Seven years later	298 433	347 917	367 193								
Eight years later	302 469	344 123									
Nine years later	306 307										
Current estimate of net ultimate claims cost	306 307	344 123	367 193	361 341	383 942	408 503	426 006	466 825	488 162	514 693	
Cumulative payments	(274 460)	(309 395)	(303 075)	(287 241)	(251 998)	(229 291)	(176 411)	(113 613)	(61 627)	(30 999)	
Net undiscounted claims liability for the 10 most recent accident years	31 847	34 728	64 118	74 100	131 944	179 212	249 595	353 212	426 535	483 694	2 028 985
Discount to present value	(5 715)	(5 881)	(10 327)	(11 392)	(14 820)	(18 901)	(25 236)	(37 191)	(50 224)	(66 411)	(246 098)
Net discounted claims liability for the 10 most recent accident years	26 132	28 847	53 791	62 708	117 124	160 311	224 359	316 021	376 311	417 283	1 782 887

Reconciliation:	
Claims handling expenses	95 036
Risk margin	319 319
Net discounted claims liability for accident years 2002-03 and prior	117 824
Net outstanding claims liability	2 315 066
Gross outstanding claims liability on the Statement of Financial Position	2 330 367
Reinsurance and other recoveries on outstanding claims liability	(15 301)
Net outstanding claims liability	2 315 066

Estimated timing of the net cash outflows resulting from recognised insurance liabilities is provided below. This is provided instead of a maturity analysis for financial liabilities showing remaining contractual liabilities.

Claims development (continued)

Payments per year	1 year and less $'000	2-4 years $'000	5-9 years $'000	10-14 years $'000	15-19 years $'000	20-24 years $'000	2013 Total $'000
Liabilities	471 813	1 095 626	545 966	158 402	43 062	197	2 315 066

17. Insurance contracts risk management

A key risk from operating in the CTP insurance industry is the exposure to insurance risk arising from underwriting CTP insurance contracts. CTP insurance policies transfer risk to the insurer by indemnifying the policyholders against adverse affects arising from the occurrence of specified uncertain future events. The risk is that the actual amount of claims to be paid in relation to CTP insurance policies will be different to the amount estimated at the time CTP premiums are determined. MAC is exposed to this risk because the price for a policy must be set before the losses relating to the insurance cover are known. Hence the insurance business involves inherent uncertainty. MAC also faces other risks relating to the conduct of the CTP insurance business including financial and capital risks.

A fundamental part of the overall risk management strategy is the effective governance and management of the risks that impact the amount, timing and uncertainty of cash flows arising from insurance policies.

Risk management objectives and policies for mitigating insurance risk

The risk management activities can be broadly separated into underwriting (acceptance and pricing of risk), claims management and investment management. The objective of these risk management functions is to secure the longer term financial performance of the CTP insurance scheme.

The key policies in place to mitigate risks arising from underwriting CTP insurance policies include the following:

Pricing

Actuarial models are used which combine historical and projected data to calculate premiums and monitor claims patterns. The data used includes historical pricing, investment behaviours and claims experience and analysis and takes account of current market and scheme trends. All data used is subject to thorough verification and reconciliation processes.

A recommendation in relation to the premiums which MAC may charge is made by an independent body, the Third Party Premiums Committee, taking into account actuarial models and having regard to MAC's obligation to seek to achieve and maintain a sufficient level of solvency in the Fund. The CTP premiums to be charged for each financial year are ultimately determined by Cabinet.

Whilst premiums are set based on assumptions regarding the behaviour of claims and investments during the year, actual claims and investment behaviour often varies from these assumptions and the results achieved by MAC can therefore be affected by a range of factors over which MAC has limited or no control, including variations in claims experience and investment earnings and directions by the Minister to charge premiums other than those recommended by the Third Party Premiums Committee.

Reinsurance

The use of reinsurance is to limit exposure to large single claims and accumulation of claims that arise from the same event or the accumulation of similar events. This includes the monitoring of reinsurers' credit risk to control exposure to potential reinsurance counterparty default. All reinsurers are required contractually to have a minimum security Standard & Poor's rating of A-. MAC's reinsurance broker monitors the Standard & Poor's rating of all panel reinsurers.

Claims management

Claim determination is managed by Allianz on behalf of MAC by their employees who possess the requisite degree of experience and competence. It is MAC policy to respond and settle claims quickly whenever possible and to pay claims fairly, in accordance with the law and in line with community and Government expectations.

Investment management

Assets and liabilities are managed so as to correlate the expected pattern of claims payments with the assets that are held to back insurance liabilities. Further information regarding investment related risks is contained in the notes to the accounts.

Risk reduction

MAC looks to reduce the frequency and severity of claims by investing in community road safety initiatives.

18. Provisions

	CTP		MAC	
	2013	2012	2013	2012
Current:	$'000	$'000	$'000	$'000
Employee benefits	-	-	344	334
Incentive payment	3 590	4 300	3 590	4 300
Total current provisions	3 590	4 300	3 934	4 634
Non-current:				
Employee benefits	-	-	507	382
Total non-current provisions	-	-	507	382
Total provisions	3 590	4 300	4 441	5 016

19. Additional financial instrument disclosures

(1) Categorisation of financial instruments

The total carrying amount for all financial assets is equal to the fair value of these assets. Investments in investment properties as detailed in note 12 are classed as Level 1 assets being the fair value that reflect unadjusted quoted prices in active market for identical assets. All assets held in unit trusts (excluding inflation linked investments) as detailed in note 11 are classed as a combination of Level 1 assets being the fair value that reflect unadjusted quoted prices in active market for identical assets and Level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price. All assets held in inflation linked investment unit trusts as detailed in note 11 are classed as a combination of Level 1 assets being the fair value that reflect unadjusted quoted prices in active market for identical assets, Level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price and Level 3 assets being fair values that are not based on observable market data.

(2) Derivative financial instruments

Derivatives are defined as financial contracts whose value depend on, or is derived from assets, liabilities, reference rates or indices. They are used to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively.

MAC's external investment managers may from time to time use authorised derivatives to manage portfolio risks and to facilitate the implementation of effective investment strategies.

The fair values of all derivative positions as at 30 June 2013 are incorporated within the Statement of Financial Position.

(3) Foreign exchange risk

As part of a diversified investment strategy, MAC has funds invested in international markets. MAC's external currency overlay manager for international equities, hedges 50% of the developed markets exposure within international equities to Australian dollars. MAC's external fund managers for international fixed income securities hedge 100% of this exposure back to Australian dollars.

(4) Interest rate risk

Interest rate risk is the risk that movements in interest rates will cause the value of fixed interest securities and the discount rate used to calculate MAC's outstanding liabilities, to deviate from expectations. MAC manages interest rate risk by using an appropriate asset/liability duration matching strategy and ensuring that asset allocations for different investment products are consistent with the time horizon for each. The risk is also managed through the use of specialist cash and fixed income investment managers, as well as specialist advice from a global insurance investment asset consultant. Furthermore, an Asset Liability Committee and Dynamic Asset Allocation Committee are in place to manage these risks.

MAC's exposure to interest rate risk, repricing maturities and the weighted average effective interest rates on financial assets and liabilities at balance date is set out below:

2013	Floating interest rate	Non-interest bearing	Total
Financial assets:	$'000	$'000	$'000
Cash and deposits	315 064	-	315 064
Receivables	-	13 465	13 465
Cash - unit trust*	-	7 034	7 034
Fixed interest - unit trust*	-	629 025	629 025
Australian equities - unit trust*	-	436 663	436 663
International equities - unit trust*	-	475 881	475 881
Other - unit trust*	-	787 265	787 265
Total financial assets	315 064	2 349 333	2 664 397

(4) ***Interest rate risk (continued)***	Floating interest rate	Non-interest bearing	Total
2013 (continued)	$'000	$'000	$'000
Weighted average interest rate (%)	2.79		
Financial liabilities:			
Creditors	-	10 380	10 380
Total financial liabilities	-	10 380	10 380
Net financial assets	315 064	2 338 953	2 654 017

* Investments are held in unit trusts which are exposed directly to market risk only. Any income derived is directly attributable to market movements.

The entity's exposure to interest rate risk, repricing maturities and the weighted average effective interest rates on financial assets and liabilities at balance date is set out below:

2012	Floating interest rate	Non-interest bearing	Total
Financial assets:	$'000	$'000	$'000
Cash and deposits	322 730	-	322 730
Receivables	-	11 186	11 186
Cash - unit trust*	-	146 750	146 750
Fixed interest - unit trust*	-	772 241	772 241
Australian equities - unit trust*	-	419 441	419 441
International equities - unit trust*	-	403 072	403 072
Other - unit trust*	-	473 508	473 508
Sales/Purchase deposits	7 650	-	7 650
Total financial assets	330 380	2 226 198	2 556 578
Weighted average interest rate (%)	4.03		
Financial liabilities:			
Creditors	-	14 780	14 780
Total financial liabilities	-	14 780	14 780
Net financial assets	330 380	2 211 418	2 541 798

* Investments are held in unit trusts which are exposed directly to market risk only. Any income derived is directly attributable to market movements.

Reconciliation of net financial assets	2013	2012
	$'000	$'000
Net financial assets	2 654 017	2 541 798
Reinsurance and other recoveries receivable	15 301	19 775
Prepayments	20 967	20 736
Investments - property assets	608 400	356 100
Property, plant and equipment	714	739
Unearned income	(196 282)	(196 928)
Outstanding claims	(2 330 421)	(2 301 738)
Unexpired risk provision	-	(38 452)
Provisions	(4 441)	(5 016)
Net assets	768 255	397 014

(5) ***Credit risk***

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The carrying amounts of financial assets included in the Statements of Financial Position represent MAC's maximum exposure to credit risk to these assets. MAC minimises concentrations of credit risk by undertaking diversified transactions in a large number of investments through underlying external fund managers and via a closely monitored panel of diversified bank groups which are rated by Standard & Poor's within the MAC cash portfolio. MAC is not materially exposed to any individual counterparty.

Recognised financial instruments (continued)

The credit risk relating to investments is monitored and assessed, and maximum exposures are limited. The following table provides information regarding the credit risk exposure relating to MAC's interest bearing investments, based on Standard & Poor's counterparty credit ratings:

2013	Allocation %	
Short-term:	A1+	A1
Cash	84.0	16.0
Cash and deposits	84.6	15.4

	Allocation %					
Long-term:	AAA	AA	A	BBB	Below BBB	Not rated
Internal inflation linked (externally managed portion)	73.5	19.9	2.6	4.0	-	-
Fixed interest	68.9	31.1	-	-	-	-
Diversified strategies income	24.2	10.6	29.1	34.8	1.2	0.1

2012	Allocation %	
Short-term:	A1+	A1
Cash	88.9	11.1
Cash and deposits	79.4	20.6

	Allocation %					
Long-term:	AAA	AA	A	BBB	Below BBB	Not rated
Internal inflation linked (externally managed portion)	87.5	5.2	3.2	4.0	-	0.1
Fixed interest	96.1	3.9	-	-	-	-
Diversified strategies income	29.3	16.0	28.8	22.3	3.6	-

The MAC cash portfolio is predominately comprised of term deposits which are ranked at the top of the capital structure. Term deposits have statutory priority under the *Banking Act 1959* and therefore have lower credit risk than other non-deposit cash instruments.

The MAC fixed interest liability matched portfolio is comprised of Australian Government and semi-government bonds.

The MAC diversified strategies income (DSI) portfolio is in the process of progressively eliminating any exposure to non-investment grade securities (rated less than BBB by Standard & Poor's). MAC divested from Funds SA DSI and constructed MAC DSI in 2012 in order to eliminate this exposure to non-investment grade securities.

(6) Market risk

In addition to the effects of movements in interest rates, the CTP Fund is exposed to market risks influencing investment valuations.

Market risk represents the risk that investment returns generated by different financial markets will be volatile and will deviate from long-term expectations over the short/medium-term. Market risk analysis is conducted on a regular basis and is conducted on a total portfolio basis.

In managing market risks, MAC aims to reduce the impact of short-term fluctuations on the reported result for the period. Over the longer term, sustained variations in economic variables will have an ongoing impact on the reported results. MAC manages the risk of financial market volatility through ensuring a diversity of exposures to different financial markets and submarkets, and via an asset liability matching and dynamic asset allocation process.

The estimated financial impact of changes in interest rates and in the value of equities is shown in the following table. It should be noted that the financial impact on MAC's reported total comprehensive result and equity are the same.

	Movement in variable	Financial impact	
		2013	2012
	%	$'000	$'000
Interest rates*	(1.0)	60 971	56 722
	(0.5)	29 445	27 272
	0.5	(27 365)	(25 093)
	1.0	(52 649)	(48 007)

(6) Market risk (continued)

* An interest rate change will inversely affect the values of fixed interest investments. This change has been calculated by multiplying the modified duration plus an adjustment for convexity of the fixed interest portfolio by the interest rate change. In practice, 27% of the impact of this change will be offset by a corresponding inverse movement in MAC's outstanding liabilities valuations.

	Movement in variable	Financial impact 2013	2012
	%	$'000	$'000
Australian equity markets	(10)	(43 666)	(41 944)
	(5)	(21 833)	(20 972)
	(1)	(4 367)	(4 194)
	5	21 833	20 972
	10	43 666	41 944
International equity markets	(10)	(47 588)	(40 307)
	(5)	(23 794)	(20 154)
	(1)	(4 759)	(4 031)
	5	23 794	20 154
	10	47 588	40 307

Changes in Australian and international equities markets will proportionally affect the values of the Australian and international equity investments. The currency movement of the Australian dollar will also have an impact on the international equities portfolio.

(7) Liquidity and cash flow risk

Liquidity risk is the risk that MAC will not be able to meet its financial obligations as they fall due. The liquidity risks associated with the need to satisfy requests for business cash outflows are mitigated by maintaining sufficient cash reserves to satisfy usual levels of demand. MAC ensures that a very high proportion of the CTP Fund is invested in securities that are actively traded and highly liquid. Liquidity risks are further minimised through trading with approved exchanges and counterparties. An outstanding liabilities cash flow matching process has also been implemented to assist the business in managing future cash flow requirements.

20. Net claims incurred

Current period claims relate to risks borne in the current reporting period. Prior period claims relate to a reassessment of the risks borne in all previous reporting periods.

2013	CTP Current year	Prior years	Total	MAC Current year	Prior years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Gross claims incurred and related expenses - undiscounted	624 154	(151 001)	473 153	624 154	(151 001)	473 153
Reinsurance and other recoveries - undiscounted	(4 016)	6 418	2 402	(4 016)	6 418	2 402
Net claims incurred - undiscounted	620 138	(144 583)	475 555	620 138	(144 583)	475 555
Discount and discount movement - gross claims incurred	(81 443)	19 605	(61 838)	(81 443)	19 605	(61 838)
Discount and discount movement - reinsurance and other recoveries	555	(1 023)	(468)	555	(1 023)	(468)
Net discount movement	(80 888)	18 582	(62 306)	(80 888)	18 582	(62 306)
Net claims incurred	539 250	(126 001)	413 249	539 250	(126 001)	413 249
Non-CTP business:						
Gross claims incurred and related expenses - undiscounted	-	-	-	(8)	-	(8)
Net claims incurred	-	-	-	(8)	-	(8)
Total net claims incurred	539 250	(126 001)	413 249	539 242	(126 001)	413 241

20. Net claims incurred (continued)

2012	CTP Current year $'000	CTP Prior years $'000	CTP Total $'000	MAC Current year $'000	MAC Prior years $'000	MAC Total $'000
Gross claims incurred and related expenses - undiscounted	598 131	(141 034)	457 097	598 131	(141 034)	457 097
Reinsurance and other recoveries - undiscounted	(4 177)	(414)	(4 591)	(4 177)	(414)	(4 591)
Net claims incurred - undiscounted	593 954	(141 448)	452 506	593 954	(141 448)	452 506
Discount and discount movement - gross claims incurred	(65 280)	222 832	157 552	(65 280)	222 832	157 552
Discount and discount movement - reinsurance and other recoveries	560	(2 710)	(2 150)	560	(2 710)	(2 150)
Net discount movement	(64 720)	220 122	155 402	(64 720)	220 122	155 402
Net claims incurred	529 234	78 674	607 908	529 234	78 674	607 908
Non-CTP business:						
Gross claims incurred and related expenses - undiscounted	-	-	-	7	-	7
Net claims incurred	-	-	-	7	-	7
Total net claims incurred	529 234	78 674	607 908	529 241	78 674	607 915

21. Commitments

Operational expenditure commitments	CTP 2013	CTP 2012	MAC 2013	MAC 2012
Road safety and sponsorship expenditure:*	$'000	$'000	$'000	$'000
Committed but not provided for and payable:				
Not later than one year	102 104	1 735	102 104	1 735
Later than one year but no later than five years	3 549	4 137	3 549	4 137
	105 653	5 872	105 653	5 872

* The amounts indicated above are contract amounts and do not allow for CPI adjustments.

Included in the above is a contribution by MAC of $100 million in 2013-14 towards a dedicated fund to be used for road safety initiatives with a particular focus on the treatment of Black Spots. It is intended that payment will be made as required by the Treasurer pursuant to section 25(5)(d) of the *Motor Accident Commission Act 1992* (the MAC Act) for road safety initiatives to the Government in accordance with the functions and objective under section 14(1)(d) of the MAC Act.

Management agreements

MAC's contractual arrangements with Allianz Australia Insurance Limited (AAL) for the provision of the claims management operations of the Fund expire on 31 December 2013. The initial contract arrangement with AAL commenced on 1 July 2003. The base management fee payable each year to AAL until the contract period concludes has been supplemented with an incentive fee arrangement. AAL is part of Allianz AG.

MAC does not have any contingent liabilities or commitments in relation to the jointly controlled property at 400 George Street, Brisbane.

22. Auditor's remuneration

	CTP 2013 $'000	CTP 2012 $'000	MAC 2013 $'000	MAC 2012 $'000
Amounts received or due and receivable for auditing the accounts of MAC:				
Auditor-General's Department	99	104	110	115

The auditors provided no other services to MAC during the financial year.

23. Employee benefits

	CTP 2013	CTP 2012	MAC 2013	MAC 2012
Aggregate liability for employee benefits including on-costs:				
Current:				
Employee benefits provision:				
Annual leave	-	-	334	334
Skills and experience retention leave	-	-	10	-
On-costs	-	-	97	80
	-	-	441	414

23. Employee benefits (continued)

	CTP		MAC	
Non-current:	2013	2012	2013	2012
Employee benefits provision:				
LSL	-	-	507	382
	-	-	507	382
	-	-	948	796

AASB 119 contains the calculation methodology for LSL liability. This year, an actuarial assessment performed by DTF was used to calculate the liability rather than using a shorthand measurement technique for the calculation of the liability.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth bonds has increased from 2012 (3%) to 2013 (3.75%).

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is immaterial. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

24. Cash flow reconciliation

	CTP		MAC	
	2013	2012	2013	2012
(1) Reconciliation of cash	$'000	$'000	$'000	$'000
Cash	106 767	94 075	106 983	94 730
Deposits at call	208 081	228 000	208 081	228 000
	314 848	322 075	315 064	322 730
(2) Reconciliation of net cash inflows (outflows) from operating activities				
Total comprehensive result	371 178	(34 348)	371 241	(34 104)
Non-cash items:				
Depreciation	-	-	89	83
Loss (Profit) on disposal of assets	-	-	8	11
Amounts set aside to provisions	-	2	-	2
Loss (Profit) on sale and revaluation to market value of investments	(258 907)	(120 756)	(258 907)	(120 756)
Increase (Decrease) in taxes payable and provisions	-	-	79	20
Net cash inflows (outflows) from operating activities before changes in assets and liabilities	112 271	(155 102)	112 510	(154 744)
Movements in assets and liabilities:				
Investments	(107 940)	6 796	(107 939)	6 797
Receivables	(1 210)	(2 033)	(2 238)	(2 209)
Payables and provisions	(42 870)	17 636	(42 438)	17 777
Outstanding claims	33 168	272 924	33 157	272 933
Unearned premium	(646)	12 076	(646)	12 076
Net cash inflows (outflows) from operating activities	(7 227)	152 297	(7 594)	152 630

25. Sufficient level of solvency

Section 14(3) of the MAC Act defines as one of the principal objectives of the Commission, the objective of achieving and maintaining a sufficient level of solvency in the CTP Fund. A revised formula to calculate a sufficient level of solvency was issued by the Treasurer on 17 May 2006 and subsequently published in The South Australian Government Gazette. The formula specifies that the Fund will have a sufficient level of solvency if its assets exceed the sum of the Fund's liabilities plus 10% of the outstanding claims liabilities, 10% of the premium liabilities provision and 10% of the investments in equities and property.

Under the formula, provisions for outstanding claims liabilities and premium liabilities include prudential margins which are calculated by reference to an 80% probability of sufficiency that the provisions will be adequate.

As at 30 June 2013, the sufficient solvency target was $2957.2 million ($2928.4 million) which compares to the Fund's assets of $3309.1 million ($2952.8 million) and this equates to 111.9% (100.8%) of the required level of sufficient solvency.

25. Sufficient level of solvency (continued)

In recent years, there has been significant movement in MAC's solvency, which demonstrates the volatility of the CTP Fund on an annual basis and its dependence on strong investment market returns to achieve and maintain sufficient solvency.

The sufficient solvency target has created a prudential reserve for MAC which has effectively allowed it to weather the financial storm of the past few years and still remain in a strong net asset position ($768.3 million). The sufficient solvency target has therefore fulfilled its role of underpinning the long-term viability of the CTP Fund.

In that regard, MAC has a strategic plan aimed at reducing claim costs and increasing investment returns along with a range of other strategic initiatives to improve scheme profitability and assist MAC to achieve its sufficient solvency target. It is anticipated that the achievement of successful outcomes against this plan, some of which are outside of MAC's direct control, will go a long way towards MAC achieving and maintaining its sufficient solvency target.

The accounts are prepared on a going concern basis after consideration of the following issues:

- The Fund reports positive net assets as at 30 June 2013.
- The Fund's investment strategy ensures adequate liquidity to meet liabilities as and when they fall due.
- The Fund's investment strategy is designed to assist in maintaining sufficient solvency.
- MAC is supported by a government guarantee pursuant to section 21(1) of the MAC Act.

26. Contingent assets and liabilities

Insurance underwriting by its very nature has liabilities contingent upon certain events occurring which give rise to a claim under the policy of insurance. All of the known and expected claims in respect of events that have occurred up to balance date have been accounted for in the preparation of these financial statements. Occasionally certain claims may require legal judgment to determine a suitable settlement. The result of such legal arbitration may result in a liability to the Commission different to that incorporated in these accounts.

27. External consultants used during the financial year

	2013	2012
	$'000	$'000
Total amount paid or due and payable to external consultants during the financial year	3 858	4 332

The number and value of consultancies were:	2013 Number	2012 Number
Below $10 000	11	9
Between $10 000 and $50 000	13	6
Above $50 000	15	9

28. Directors' remuneration

The names of each person holding the position of director of MAC during the financial year are:

J H Brown	T R Groom	Y Sneddon
R A Cook	J T Hazel	P L White
W M Griggs	R A Korotcoff	

	2013	2012
	$'000	$'000
Total income paid or payable, or otherwise made available, to all directors of MAC from the Commission	374	390

The number of directors of MAC whose income from the Commission falls within the following bands:	2013 Number	2012 Number
$0 - $9 999	1	1
$30 000 - $39 999	1	-
$40 000 - $49 999	3	2
$50 000 - $59 999	2	4
$80 000 - $89 999	1	1

Directors of MAC receive remuneration in the form of statutory fees. In accordance with DPC Circular 16, government employees who act as a director do not receive any remuneration from the Commission during the financial year.

Superannuation and retirement benefits

Directors of MAC are not paid superannuation or retirement benefits for their activities associated with MAC other than the amount set aside by the Commission in compliance with the Superannuation Guarantee charge of $31 000 ($32 000).

29. Remuneration of employees

	2013	2012
	$'000	$'000
Salaries and wages	2 931	2 666
LSL	109	208
Annual leave	32	41
Skills and experience retention leave	11	-
Employment on-costs:		
Superannuation	309	277
Other	196	187
Board and committee fees	375	358
Total employee remuneration expense	3 963	3 737

The number of employees whose remuneration received or receivable falls within the following bands:	2013 Number	2012 Number
$138 000 - $147 999	-	3
$148 000 - $157 999	4	-
$178 000 - $187 999	-	1
$188 000 - $197 999	-	1
$268 000 - $277 999	1	-
$328 000 - $337 999	-	1
$398 000 - $407 999	1	-

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, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $1.3 million ($1.2 million).

30. Related parties

Apart from the details disclosed in this note, no director has entered into a contract with the Commission since the end of the previous financial year and there were no contracts involving directors' interests existing at year end.

Directors' transactions with the Commission

MAC sold CTP insurance to directors of the Commission or their director-related entities during the year within a normal customer relationship on terms and conditions no more favourable than those available on similar transactions to other members of the public.

The directors of MAC may hold positions in other organisations in which MAC invests or provides funding in the ordinary course of business. The terms and conditions of those transactions with director-related entities are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

Museum Board

Functional responsibility

Establishment

The Museum Board (the Board) is established pursuant to the *South Australian Museum Act 1976* (the SAM Act). The Board is responsible for the management of the South Australian Museum. For details of the Board's functions, refer note 1 to the financial statements.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA and section 16(3) of the SAM Act provide for the Auditor-General to audit the accounts of the Board for each financial year.

Assessment of controls

Section 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether internal controls are consistent with the TIs with particular focus on TIs 2 and 28.

Scope of audit

The audit program covered major financial systems to obtain sufficient evidence to form an opinion on the financial report and internal controls.

During 2012-13, specific areas of audit attention included:

- legal compliance
- compliance with TIs
- expenditure
- revenue
- payroll
- property, plant and equipment
- heritage collections
- general ledger.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Museum Board as at 30 June 2013, 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.

Assessment of controls

In my opinion, the controls exercised by the Museum Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for all matters outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Museum Board have been conducted properly and in accordance with law.

Communication of audit matters

Matters identified during the course of the audit were detailed in a management letter to the Director of the South Australian Museum. The Board's response to the letter indicated that appropriate action would be taken to address the matters raised. The main matters raised with the Board and the related responses are detailed below.

In addition, matters relating to SSSA as a service provider to the Board are also described below.

Legal compliance

Approved purpose of bequests account

Audit review in 2011-12 indicated the section 21 deposit account titled 'Museum Board - Bequests Account' was not being used in accordance with the account's specific purpose approved by the Treasurer. Specifically the account was being used for general revenue including sponsorships and grants in addition to bequests.

Audit recommended the Board approach DTF to seek approval to amend the purpose of the bequests account to include both bequests and general gifts, as this would be consistent with the approach taken in the SAM Act.

Audit also recommended the Board work with SSSA to revise the apportionment process used to allocate funds to the bequests account to ensure ongoing compliance with the approved purpose of the account.

Audit follow-up in 2012-13 indicated approval had not yet been obtained to amend the purpose of the bequests account. Audit review also indicated that significant revenue and expenditure not related to bequests is still allocated to the bequests account, rather than the Board's operating account.

As a result, the Board is not currently complying with the Treasurer's specified purpose for the bequests account.

The Board responded that it will liaise with Arts SA and SSSA to seek an amendment to the purpose of the account.

Governance

Central register of policies and procedures

The Board's staff are required to follow both Board and DPC-wide policies and procedures in the conduct of their work. Audit review of the Board's policies and procedures framework indicated there is no central register of all policies and procedures applicable to Board staff.

The establishment of a central register would ensure that Board staff are aware of all applicable policies and procedures and can easily access the policies and procedures relevant to the work they perform. It would also facilitate the monitoring of policies and procedures to ensure they are kept up-to-date in accordance with TI 2.

The Board responded that a central register of policies and procedures will be established.

Lack of current service level agreement (SLA) between the Board and DPC

Audit review in 2011-12 indicated a current SLA between the Board and DPC was not in place.

Audit recommended the Board liaise with DPC to establish an SLA that clearly sets out the responsibilities of each party regarding the support services provided.

Audit follow-up in the current year indicated the Board had sent a letter to DPC in May 2013 raising the need for a new SLA to be put in place. However, an updated SLA was yet to be finalised and approved.

The Board responded that it will continue to liaise with DPC in order to implement an updated SLA which will address all areas of business interaction between the Museum and DPC.

Update and finalisation of the financial management compliance program (FMCP)

Audit review in 2011-12 indicated an FMCP had been prepared by the Board. Audit noted a number of areas in the FMCP that had not been fully documented, including a lack of control ratings and control activities in certain areas.

Audit follow-up in 2012-13 indicates that minimal progress has been made in updating the FMCP to address these areas.

The Board responded that it will ensure the update and ongoing review of the FMCP is a priority and that all relevant documentation is complete and achieves compliance with the requirements of TI 28.

Heritage collections

Capitalisation of heritage collection purchases and other additions

Audit review in 2011-12 found that when the Board purchased items for the Museum's heritage collections, some items were recorded as expenses, rather than being capitalised as additions to the Museum's collections.

Audit noted that while the amount of these additions was modest compared to the overall value of the collections, all purchases which meet the criteria for additions to the collections should be capitalised to reflect the increase in the value of the collections.

Ensuring these purchases are correctly recognised and capitalised at the time of purchase would improve the efficiency and accuracy of financial reporting to the Board throughout the year.

Audit recommended that staff involved in the acquisition of items for heritage collections receive specific reminders of the need to capitalise purchases that add to the collections at the time of purchase, not simply as part of the annual process of identifying changes to the collections in the lead-up to the preparation of the financial statements.

Audit follow-up in 2012-13 indicated that purchases that add to heritage collections had not been updated throughout the year.

The Board responded that more frequent processes would be implemented to allow for an improved rate of capitalisation of purchases and other additions to the heritage collections. The Board will initially set a target of quarterly capitalisation to the general ledger.

Shared Services SA – CHRIS payroll control environment

SSSA processes payroll transactions specific to the CHRIS HRMS system on behalf of the Board in accordance with a service level determination with SSSA.

The audit of payroll transactions considered the payroll process and control environments of SSSA and the external bureau provider of the CHRIS HRMS payroll service to SSSA.

Review of the process and control environments in previous years has identified SSSA key control weaknesses covering segregation of duties and user access and certain security limitations of the CHRIS 5 application provided by the bureau service.

As SSSA implemented significant remediation action during the year, it was not effective throughout the entire year. As such the process and control environment could not be considered robust and effective for the 2012-13 financial year. Also the planned migration of payroll processing from CHRIS 5 to CHRIS 21, which would address security limitations, is yet to occur.

This matter is further discussed in the commentary under ‘Department of the Premier and Cabinet’ elsewhere in Part B of this Report.

Shared Services SA – accounts payable and electronic payment control environments

SSSA operates an accounts payable function which involves the processing of transactions on behalf of the Board under a service level determination. The function involves the e-Procurement system for ordering, receiving and invoice processing; Masterpiece payment transaction processing and vendor masterfile processing; EFT and cheque payment processing; and Masterpiece general ledger maintenance.

While SSSA continues to progress significant remedial measures to address prior years’ key control weaknesses certain actions are still required before the control environments can be considered to be robust and effective.

This matter is further discussed in the commentary under ‘Department of the Premier and Cabinet’ elsewhere in Part B of this Report.

Interpretation and analysis of the financial report

Highlights of the financial report	2013 $’million	2012 $’million
Expenses		
Staff benefits	7	7
Other expenses	8	8
Total expenses	15	15
Income		
Revenues from SA Government	13	10
Other revenue	4	5
Total income	17	15
Net result	2	-
Net cash provided by (used in) operating activities	3	2
Net cash provided by (used in) investing activities	(2)	-

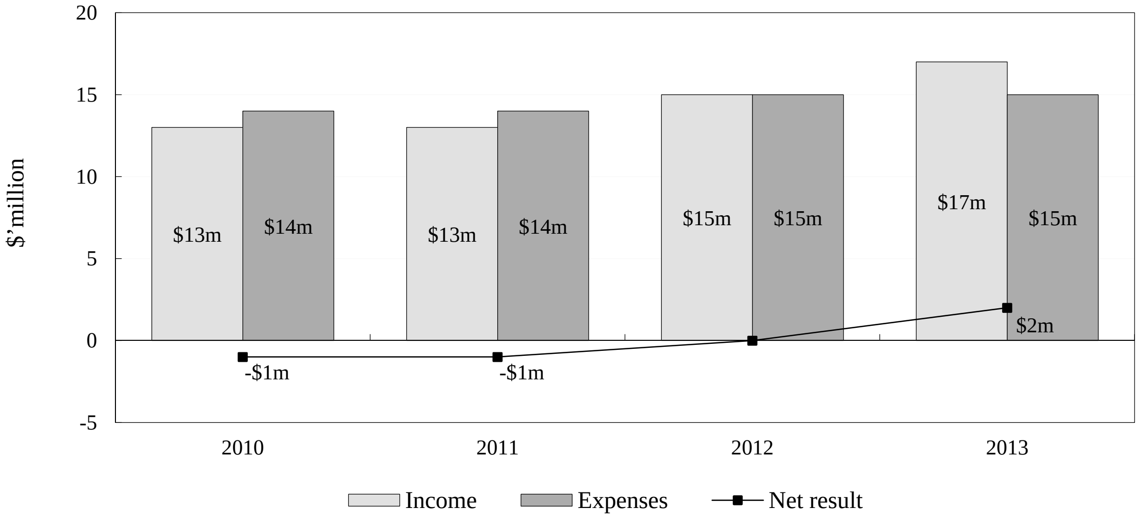
	2013 $'million	2012 $'million
Assets		
Current assets	4	2
Non-current assets	404	396
Total assets	408	398
Liabilities		
Current liabilities	2	2
Non-current liabilities	2	1
Total liabilities	4	3
Total equity	404	395

Statement of Comprehensive Income

Net result

The $1.7 million increase in the Board's net result is mainly due to increased revenues from SA Government, in particular additional capital funding relating to the entomology collection and security system upgrades.

The following chart shows the income, expenses and net results for the four years to 2013 are relatively constant except for 2013 income which includes a capital grant of $2.4 million for the entomology collection and security system upgrades.



Statement of Financial Position

The total assets of the Board at 30 June 2013 were $408 million, of which $361 million (88%) relates to the Board's heritage collections.

The Board's property, plant equipment increased by $7 million (21%) from the prior year, due mainly to the buildings and improvements revaluation increment arising from the 30 June 2013 independent valuation (refer note 16). The last revaluation of property was performed on 30 June 2008.

The current year valuation was based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use considerations.

As the revaluation increment relates to buildings and improvements with useful lives of 20 to 100 years, the increased valuations will result in a modest increase in future annual depreciation expenses.

Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Expenses:			
Staff benefits	3	6 916	6 712
Supplies and services	5	3 747	3 481
Accommodation and facilities	6	2 867	2 706
Depreciation	7	1 932	1 909
Grants		12	157
Total expenses		15 474	14 965
Income:			
Grants	8	982	510
Fees and charges	9	634	795
Donations and bequests		442	1 056
Donations of heritage assets		194	261
Sponsorships	10	359	882
Interest and investment	11	180	121
Resources received free of charge	13	477	431
Recoveries		427	541
Net gain from the disposal of non-current assets	12	76	94
Other income	14	208	185
Total income		3 979	4 876
Net cost of providing services		11 495	10 089
Revenues from (Payments to) SA Government:			
Recurrent operating grant		10 861	9 827
Capital grant		2 417	318
Total revenues from (payments to) SA Government		13 278	10 145
Net result		1 783	56
Other comprehensive income:			
Change in value of land and buildings	16	6 828	-
Change in value of heritage collections	17	648	16 714
Total other comprehensive income		7 476	16 714
Total comprehensive result		9 259	16 770

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets:			
Cash	22	2 744	1 935
Receivables	15	1 297	557
Total current assets		4 041	2 492
Non-current assets:			
Receivables	15	27	-
Property, plant and equipment	16	42 287	34 762
Heritage collections	17	361 127	359 923
Investments	18	905	1 204
Total non-current assets		404 346	395 889
Total assets		408 387	398 381
Current liabilities:			
Payables	19	1 398	812
Staff benefits	20	853	826
Provision	21	8	8
Total current liabilities		2 259	1 646
Non-current liabilities:			
Payables	19	127	116
Staff benefits	20	1 373	1 251
Provision	21	36	35
Total non-current liabilities		1 536	1 402
Total liabilities		3 795	3 048
Net assets		404 592	395 333
Equity:			
Revaluation surplus		269 635	262 159
Retained earnings		134 957	133 174
Total equity		404 592	395 333

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	23
Contingent assets and liabilities	24

Statement of Changes in Equity
for the year ended 30 June 2013

	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2011	245 445	133 469	378 914
Prior period adjustment	-	(351)	(351)
Restated balance at 30 June 2011	245 445	133 118	378 563
Net result for 2011-12	-	151	151
Prior period adjustment	-	(95)	(95)
Restated net result for 2011-12	-	56	56
Gain on revaluation of heritage collections	16 714	-	16 714
Total comprehensive result for 2011-12	16 714	56	16 770
Balance at 30 June 2012	262 159	133 174	395 333
Net result for 2012-13	-	1 783	1 783
Gain on revaluation of land and buildings	6 828	-	6 828
Gain on revaluation of heritage collections	648	-	648
Total comprehensive result for 2012-13	7 476	1 783	9 259
Balance at 30 June 2013	269 635	134 957	404 592

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

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Staff benefits		(6 746)	(6 666)
Supplies and services		(3 226)	(3 042)
Accommodation and facilities		(2 767)	(2 611)
Grants		(12)	(157)
Cash used in operations		(12 751)	(12 476)
Cash inflows:			
Grants		982	510
Fees and charges		657	735
Donations and bequests		308	1 056
Sponsorships		294	762
Interest and investment		173	126
Recoveries		426	541
Other		208	185
Cash generated from operations		3 048	3 915
Cash flows from SA Government:			
Recurrent operating grant		10 251	9 827
Capital grant		2 547	318
Cash generated from SA Government		12 798	10 145
Net cash provided by (used in) operating activities	22	3 095	1 584
Cash flows from investing activities:			
Cash outflows:			
Purchases of heritage collections		(31)	(67)
Purchases of property, plant and equipment		(2 630)	(706)
Purchases of investments		(829)	-
Cash used in investing activities		(3 490)	(773)
Cash inflows:			
Proceeds from sale of investments		1 204	383
Cash generated from investing activities		1 204	383
Net cash provided by (used in) investing activities		(2 286)	(390)
Net increase (decrease) in cash		809	1 194
Cash at 1 July		1 935	741
Cash at 30 June	22	2 744	1 935

Notes to and forming part of the financial statements

1. Objectives of the Museum Board (the Board)

The functions of the Board, as prescribed under the *South Australian Museum Act 1976*, are as follows:

- to undertake the care and management of the Museum
- to manage the premises of the Board
- to carry out, or promote, research into matters of scientific and historical interest

1. Objectives of the Museum Board (the Board) (continued)

- to accumulate and care for objects and specimens of scientific or historical interest
- to accumulate and classify data in regard to any such matters
- to disseminate information of scientific or historical interest
- to advise the Minister on matters relating to scientific or historical research or collections
- to carry out any other functions assigned to the Board by this or any other Act or the Minister.

2. Summary of significant accounting policies

2.1 Statement of compliance

The Board has prepared these financial statements in compliance with section 23 of the PFAA

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs and comply with TIs and APSs promulgated under the provisions of the PFAA.

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

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2013.

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 Board's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes

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

- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in the financial statements:

  (a) income, 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) staff 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

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and comparative information presented.

2.3 Reporting entity

The financial statements cover the Board as an individual reporting entity. It is statutory authority of the State of South Australia, established pursuant to the *South Australian Museum Act 1976.*

2.4 Sources of funds

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

2.5 Income and expenses

Income and expenses are recognised in the Board's Statement of Comprehensive Income to the extent it is probable that the flow of economic benefits to or from the Board will occur and can be reliably measured. Income and expenses have been classified according to their nature, and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Income

Income from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Investment income is recognised when the Board obtains control over the funds. Income from the rendering of a service is recognised upon the delivery of the service to the customers. Government grants are recognised as income in the period in which the Board obtains control over the grants. Bequests, donations and sponsorships are recognised as an asset and income when the Board obtains control or obtains the right to receive the bequest, donation or sponsorship and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

Resources received free of charge

Resources received free of charge are recorded as income and expenditure in the Statement of Comprehensive Income at their fair value.

Under an arrangement with Arts SA and Artlab Australia, divisions of DPC, Artlab Australia receives SA Government appropriation to perform conservation services on the Board's heritage collections. The value of this work performed is recognised as resources received free of charge in income and a corresponding amount included as conservation work expenditure in supplies and services (refer note 5).

Under an arrangement with the Services Division of DPC, financial services and human resources are provided free of charge to the Board. The value of these services is recognised as resources received free of charge in income and a corresponding amount included as a business services charge in supplies and services (refer note 5).

2.6 Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. The Board has a clearly identifiable operating cycle of 12 months. Assets and liabilities that will be 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.

2.7 Cash

Cash in the Statement of Financial Position includes cash at bank and cash on hand.

For the purposes of the Statement of Cash Flows, cash is defined above. Cash is measured at nominal value.

2.8 Receivables

Receivables include amounts receivable from trade, prepayments and other accruals.

Trade receivables arise in the normal course of selling goods and services to other government agencies and the public. Trade receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Board will not be able to collect the debt. Bad debts are written off when identified.

2.9 Investments

Investments are brought to account at cost in accordance with APF IV, APS 2.1.

2.10 *Non-current asset acquisition and recognition*

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

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

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

2.11 *Valuation of non-current assets*

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

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

Any revaluation decrement is recognised as an expense, except to the extent that it offsets a previous revaluation increase of 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.

Upon revaluation, the accumulated depreciation has been restated proportionately with the change in gross carrying amount of the asset so that the carrying amount, after revaluation, equals its revalued amount.

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

Land and buildings
Land and buildings have been valued at fair value. Valuations of land and buildings were determined as at 30 June 2013 by Valcorp Australia Pty Ltd.

Plant and equipment
Plant and equipment, including computer equipment, has been deemed to be held at fair value on acquisition.

Heritage collections
The Board's collections were revalued as at 30 June 2011 using the valuation methodology outlined below in accordance with fair value principles adopted under AASB 116. These valuations were undertaken by both external valuers and internal specialists.

The collections were broadly valued on the following basis:

Collection	*Method of valuation*
Heritage collections	Net market valuation
Natural history collections	Cost of recovery

Heritage collection status applies to those collections where an established market exists. The net market valuation applied has been assessed either by valuation undertakings by staff and valuers or by applying valuations determined under the Cultural Gifts program.

Natural history collections have been valued at fair value on the basis of the cost of fieldwork, preparation and documentation to replace the material in its present condition. The most recent revaluation saw an increase in the value of each holotype from $1000 to $5000 per specimen.

Internal valuations were carried out by staff specialists in their related fields. These valuations were based on a knowledge of the particular collections, an understanding of valuation techniques and the markets that exist for the collection items. Independent external valuers were engaged to review the methodology adopted for valuation to verify the valuations applied by internal specialists via sampling techniques, and to carry out independent valuations where required.

Heritage collections (continued)
Heritage collections deemed to have market value are Australian ethnology, foreign ethnology, malacology, butterflies, industrial history collection, mineralogy, Museum library, archives/artworks and rare books.

Natural history collections valued at cost of recovery are the Australian biological tissue bank, the Australian helminthological collection, entomology, arachnology, marine invertebrates, ichthyology, herpetology, ornithology, mammalogy, palaeontology and archaeology.

The archaeology collection was valued for the first time in the 30 June 2011 valuation. Previously the collection was inaccessible due to storage limitations.

In June 2012, the archives/artwork collection was valued for the first time by J F B Bruce, AVAA, JP of Theodore Bruce Auctions Pty Ltd. Resource limitations had previously prevented the valuation of the collection.

The external valuations were carried out by the following recognised industry experts:

Collection	*Industry expert*
Foreign ethnology	H Gallasch
Mineralogy	R Noble
Malacology (marine invertebrates)	I Van Streepen
Butterflies (terrestrial invertebrates)	L Mound
Mammalogy	R Schodde
Archives/Artwork	J F B Bruce

Heritage collections assessed internally by staff with the necessary expertise:

Collection	*Industry expert*
Australian ethnology	P Jones
Foreign ethnology	B Craig

Collections deemed to be culturally sensitive, including human remains or items which are secret and sacred to Aboriginal communities have not been included within the current valuation and are deemed to be at zero valuation. These collections are human biology, secret sacred and archives.

2.12 Impairment of assets

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. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

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

2.13 Depreciation of non-current assets

All non-current property, plant and equipment assets, having a limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential.

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

Lands is not depreciated.

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

Class of asset	*Useful life (years)*
Buildings and improvements	20-100
Plant and equipment:	
Exhibition	10
Commercial vehicles	20-25
Other	3-25
Computer equipment	3-5

Exhibitions with a life of less than one year are expensed.

2.13 Depreciation of non-current assets (continued)

Heritage collections are kept under special conditions so that there is no physical deterioration and they are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised, as their service potential has not, in any material sense, been consumed during the reporting period.

2.14 Payables

Payables include creditors, accrued expenses and staff on-costs.

Creditors and accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period. 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.

Staff on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, LSL, annual leave and skills and experience retention leave.

2.15 Staff benefits

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

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

(i) Salaries, wages, annual leave and skills and experience retention leave

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

(ii) LSL

The liability for LSL 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 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 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.

(iii) On-costs

Staff benefit on-costs (payroll tax and superannuation) are recognised separately under payables.

(iv) Superannuation

The Board makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the relevant superannuation schemes. DTF centrally recognises the superannuation liability, for the schemes operated by the State Government, in the whole-of-government financial statements.

2.16 Workers compensation provision

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2013 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

2.17 Leases

The Board has entered into a number of operating lease agreements for accommodation and motor vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

2.18 Comparative information

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

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 to do so.

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

2.19 Taxation

The Board is not subject to income tax. The Board is liable for payroll tax, FBT, GST and the Emergency Services levy.

Income, expenses and assets are recognised net of the amount of GST. The amount of GST incurred by the Board as a purchaser that is not recoverable from the ATO is recognised as part of the cost of acquisition of an asset or part of an item of expense.

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

2.20 Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an even 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 material impact on the results of subsequent years.

2.21 State Government funding

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

2.22 Rounding

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

2.23 Insurance

The Board has arranged through SAICORP, a division of SAFA, to insure all major risks of the Board. The excess payable is fixed under this arrangement.

2.24 Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

3. Staff benefits

	2013 $'000	2012 $'000
Salaries and wages	5 702	5 329
LSL	103	442
Annual leave	98	17
Skills and experience retention leave	36	-
Staff on-costs - superannuation	601	576
Staff on-costs - other	312	301
TVSP payments	-	124
Board fees	56	46
Other staff related expenses	8	(123)
Total staff benefits	6 916	6 712

3. Staff benefits (continued)

TVSPs	2013 $'000	2012 $'000
Amount paid to these staff:		
TVSPs	-	124
Annual leave and LSL paid during the reporting period	-	32
	-	156
Recovery from DTF	-	(124)
Net cost to the Board	-	32

The number of staff who were paid TVSPs during the reporting period was 0 (1).

Remuneration of staff	2013 Number	2012 Number
The number of staff whose remuneration received falls within the following bands:		
$134 000 - $137 999*	-	1
$138 000 - $147 999	2	-
$188 000 - $197 999	-	1
$218 000 - $227 999	1	-
Total	3	2

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2011-12.

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 including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and salary sacrifice benefits. The total remuneration received by these staff members for the year was $510 000 ($330 000).

4. Remuneration of board and committee members

Members during the 2012-13 financial year were:

Museum Board

Dr J Lomax-Smith (Chairperson)
Prof D Adelson
Ms N Buddle
Mr D Dalla Valle (resigned 12 December 2012)
Ms E D Perry
Mr D Rathman*
Ms N Stott Despoja
Prof M Worton
Mr P Hanlon (appointed 23 May 2013)

Aboriginal Advisory Committee

Mr D Rathman* (Chairperson)
Mr L O'Brien
Ms L O'Donohue
Mr M Turner
Prof S Miller*
Ms E D Perry
Ms L Buckskin

The number of members whose remuneration received or receivable falls within the following bands:	2013 Number	2012 Number
$0 - $9 999	10	13
$10 000 - $19 999	4	3
Total	14	16

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees. The board fees received by members were $56 000 ($45 000).

Amounts paid to a superannuation plan for board/committee members were $4740 ($3740).

* In accordance with DPC Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

Related party disclosures

Board members or their related entities have transactions with the Board that occur within a normal customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonably expected the entity would have adopted if the transactions were undertaken with any other entity at arm's length in similar circumstances.

5. Supplies and services

	2013	2012
Supplies and services:	$'000	$'000
Cost of goods sold	7	10
Insurance and risk management	401	336
Marketing	321	302
Administration	149	169
IT services and communications	276	269
Maintenance	89	56
Artlab conservation work	334	290
Business services charge	143	141
Collections	21	22
Exhibitions	253	202
Research	444	649
Travel and accommodation	155	163
Contractors	256	157
Motor vehicle expenses	57	73
Minor equipment	140	90
Fees	180	148
Consultants	87	63
Hire, rent and equipment	88	15
Audit fees	34	31
OHS&W	31	29
Other	281	266
Total supplies and services	3 747	3 481

Supplies and services provided by entities within the SA Government:		
Insurance and risk management	400	336
Marketing	-	1
Administration	1	7
IT services and communications	80	120
Maintenance	3	12
Artlab conservation work	334	290
Business services charge	143	141
Exhibitions	6	5
Research	4	-
Motor vehicle expenses	19	59
Minor equipment	-	1
Fees	5	-
Audit fees	34	31
Other	53	19
Total supplies and services - SA Government entities	1 082	1 022

Consultants

The number and dollar amount of consultancies paid/payable (included in the supplies and services expense shown above) fell within the following bands:	2013 Number	2013 $'000	2012 Number	2012 $'000
Below $10 000	-	-	4	10
$10 000 - $50 000	-	-	-	-
Greater than $50 000	1	87	1	53
Total paid/payable to consultants engaged	1	87	5	63

Auditor's remuneration

	2013	2012
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	$'000 34	$'000 31
Total audit fees	34	31

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

		2013	2012
6.	**Accommodation and facilities**		
	Accommodation and facilities:	$'000	$'000
	Accommodation	931	748
	Facilities	1 074	1 114
	Security	862	844
	Total accommodation and facilities	2 867	2 706
	Accommodation and facilities provided by entities within the SA Government:		
	Accommodation	505	416
	Facilities	682	756
	Security	2	3
	Total accommodation and facilities - SA Government entities	1 189	1 175
7.	**Depreciation**		
	Buildings and improvements	1 329	1 322
	Plant and equipment	590	583
	Computer equipment	13	4
	Total depreciation	1 932	1 909
8.	**Grants**		
	General grants	799	352
	Commonwealth grants	183	158
	Total grants	982	510
9.	**Fees and charges**		
	Admissions	291	198
	Functions	88	108
	Fees for service	208	408
	Other	47	81
	Total fees and charges	634	795
10.	**Sponsorships**		
	Sponsorships received/receivable:		
	Cash sponsorships	294	862
	In-kind sponsorships	65	20
	Total sponsorships	359	882
	Sponsorships received/receivable from entities within the SA Government:		
	Cash sponsorships	37	623
	Total sponsorships - SA Government entities	37	623
11.	**Interest and investment income**		
	Interest	86	37
	Investments	94	84
	Total interest and investment income	180	121
12.	**Net gain (loss) from the disposal of non-current assets**		
	Investments:		
	Proceeds from disposal	1 204	382
	Net book value of assets disposed	(1 128)	(289)
	Net gain (loss) from disposal of investments	76	93
	Plant and equipment:		
	Proceeds from disposal	-	1
	Net book value of assets disposed	-	-
	Net gain (loss) from disposal of plant and equipment	-	1
	Total assets:		
	Total proceeds from disposal	1 204	383
	Total net book value of assets disposed	(1 128)	(289)
	Total net gain (loss) from disposal of non-current assets	76	94

13. Resources received free of charge	2013 $'000	2012 $'000
Business services charge	143	141
Artlab conservation work	334	290
Total resources received free of charge	477	431

14. Other income		
Exhibition hire	37	28
Other	171	157
Total other income	208	185

15. Receivables		
Current:		
Receivables	460	479
Prepayments	23	11
Accrued income	814	67
Total current receivables	1 297	557
Non-current:		
Receivables	1	-
Prepayments	26	-
Total non-current receivables	27	-
Total receivables	1 324	557
Receivables from entities within the SA Government:		
Receivables	41	51
Accrued income	615	4
Total receivables from SA Government entities	656	55

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 income are non-interest bearing. It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

(a) Maturity analysis of receivables - refer note 26.
(b) Categorisation of financial instruments and risk exposure information - refer note 26.

16. Property, plant and equipment	2013 $'000	2012 $'000
Land, buildings and improvements:		
Land at valuation	4 850	7 440
Buildings and improvements at valuation	70 018	58 737
Accumulated depreciation	(39 397)	(36 699)
Total land, buildings and improvements	35 471	29 478
Work in progress:		
At cost	2 353	288
Total work in progress	2 353	288
Plant and equipment:		
At cost (deemed fair value)	7 571	7 555
Accumulated depreciation	(3 139)	(2 589)
Total plant and equipment	4 432	4 966
Computer equipment:		
At cost (deemed fair value)	49	35
Accumulated depreciation	(18)	(5)
Total computer equipment	31	30
Total property, plant and equipment	42 287	34 762

Reconciliation of property, plant and equipment 2012-13

	Land	Buildings & imprvmnts	Work in progress	Plant & equipment	Computer equipment	Total
2013	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	7 440	22 038	288	4 966	30	34 762
Additions	-	125	2 434	56	14	2 629
Disposals	-	-	-	(41)	-	(41)
Accumulated depreciation on disposals	-	-	-	41	-	41
Depreciation	-	(1 329)	-	(590)	(13)	(1 932)
Revaluation increment (decrement)	(2 590)	9 418	-	-	-	6 828
Transfers between asset classes	-	369	(369)	-	-	-
Carrying amount at 30 June	4 850	30 621	2 353	4 432	31	42 287
2012						
Carrying amount at 1 July	7 440	23 360	-	5 155	10	35 965
Additions	-	-	288	394	24	706
Disposals	-	-	-	(80)	-	(80)
Accumulated depreciation on disposals	-	-	-	80	-	80
Depreciation	-	1 322	-	(583)	(4)	(1 909)
Carrying amount at 30 June	7 440	22 038	288	4 966	30	34 762

Valuation of land and buildings

The valuation of land and buildings was performed by Fred Taormina, an independent valuer from Valcorp Australia Pty Ltd, as at 30 June 2013. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

17. Heritage collections

	2013	2012
	$'000	$'000
Social/Industrial history	278	278
Australian Aboriginal ethnographic	24 778	24 778
Foreign ethnology	8 456	8 448
Australian polar collection	4 808	4 733
Archives/Artwork	16 726	16 714
Archaeology	69 305	69 305
Minerals	17 462	17 421
Malacology	7 686	7 686
Butterflies	41	41
Australian biological tissue bank	17 611	17 611
Australian helminthological collection	24 026	24 026
Entomology	79 917	79 904
Arachnology	11 026	11 026
Marine invertebrates	15 553	15 553
Ichthyology	4 824	4 824
Herpetology	6 480	6 480
Ornithology	12 475	12 475
Mammalogy	7 963	7 963
Palaeontology	25 314	24 259
Library	6 398	6 398
Total heritage collections	361 127	359 923

Reconciliation of carrying amounts of heritage collections

	Balance 01.07.12	Additions	Revaluation increment	Balance 30.06.13	Balance 01.07.11	Additions	Revaluation increment	Balance 30.06.12
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Social/Industrial history	278	-	-	278	278	-	-	278
Australian Aboriginal ethnographic	24 778	-	-	24 778	24 615	163	-	24 778
Foreign ethnology	8 448	8	-	8 456	8 430	18	-	8 448
Australian polar collection	4 733	75	-	4 808	4 664	69	-	4 733
Archives/Artwork	16 714	12	-	16 726	-	-	16 714	16 714
Archaeology	69 305	-	-	69 305	69 305	-	-	69 305
Minerals	17 421	41	-	17 462	17 343	78	-	17 421

Reconciliation of carrying amounts of heritage collections (continued)

	Balance 01.07.12 $'000	Additions $'000	Revaluation increment $'000	Balance 30.06.13 $'000	Balance 01.07.11 $'000	Additions $'000	Revaluation increment $'000	Balance 30.06.12 $'000
Malacology	7 686	-	-	7 686	7 686	-	-	7 686
Butterflies	41	-	-	41	41	-	-	41
Australian biological tissue bank	17 611	-	-	17 611	17 611	-	-	17 611
Australian helminthological collection	24 026	-	-	24 026	24 026	-	-	24 026
Entomology	79 904	13	-	79 917	79 904	-	-	79 904
Arachnology	11 026	-	-	11 026	11 026	-	-	11 026
Marine invertebrates	15 553	-	-	15 553	15 553	-	-	15 553
Ichthyology	4 824	-	-	4 824	4 824	-	-	4 824
Herpetology	6 480	-	-	6 480	6 480	-	-	6 480
Ornithology	12 475	-	-	12 475	12 475	-	-	12 475
Mammalogy	7 963	-	-	7 963	7 963	-	-	7 963
Palaeontology	24 259	407	648	25 314	24 259	-	-	24 259
Library	6 398	-	-	6 398	6 398	-	-	6 398
Carrying amount at 30 June	359 923	556	648	361 127	342 881	328	16 714	359 923

18. Investments

	2013 $'000	2012 $'000
Investments with entities other than SAFA:		
Non-current:		
Shares, convertible notes and other investments in companies	905	1 204
Total non-current investments	905	1 204
Total investments	905	1 204

The market value of investments as at 30 June 2013 is $1.043 million ($1.014 million).

Of the three investment accounts - Museum Board, Norman B Tindale Memorial and the Mawson Collection - there are restrictions in place for both the Norman B Tindale Memorial and Mawson Collection relating to funds totalling $532 000 ($710 000).

19. Payables

	2013 $'000	2012 $'000
Current:		
Creditors and accruals	1 278	702
Staff on-costs	120	110
Total current payables	1 398	812
Non-current:		
Staff on-costs	127	116
Total non-current payables	127	116
Total payables	1 525	928
Payables to SA Government entities:		
Creditors and accruals	634	10
Staff on-costs	117	109
Total payables - SA Government entities	751	119

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has remained at the 2012 rate of 40% and the average factor for the calculation of employer superannuation cost on-cost has decreased to 10.2% (10.3%). These rates are used in the staff on-cost calculation. The financial effect of the change in the superannuation on-cost rate on staff on-costs and employee benefit expense is immaterial.

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Staff on-costs are settled when the respective staff 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.

(a) Maturity analysis of payables - refer note 26.
(b) Categorisation of financial instruments and risk exposure information - refer note 26.

20. Staff benefits

	2013	2012
Current:	$'000	$'000
Annual leave	605	522
Skills and experience retention leave	36	-
LSL	212	304
Total current staff benefits	853	826
Non-current:		
LSL	1 373	1 251
Total non-current staff benefits	1 373	1 251
Total staff benefits	2 226	2 077

AASB 119 contains the calculation methodology for LSL liability. This year, an actuarial assessment performed by DTF was used to calculate the liability rather than using a shorthand measurement technique for the calculation of the liability.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has increased from 2012 (3%) to 2013 (3.75%). The net financial effect of the changes in methodology and actuarial assumptions is immaterial.

The public sector skills and experience retention leave entitlement applies as from 1 July 2012 to public sector employees who have completed 15 or more years of effective service who are employed under the PSA.

The skills and experience retention leave entitlement provides eligible employees up to two working days transitional entitlement for 2011-12, and up to two working days entitlement for 2012-13. Eligible employees are able to apply for and take the leave on or after 1 July 2013.

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

21. Provision

	2013	2012
Current:	$'000	$'000
Provision for workers compensation	8	8
Total current provision	8	8
Non-current:		
Provision for workers compensation	36	35
Total non-current provision	36	35
Total provision	44	43

Reconciliation of the provision for workers compensation

	2013	2012
Provision at 1 July	43	179
Increase (Decrease) in provision during the year	1	(136)
Provision for workers compensation at 30 June	44	43

22. Cash flow reconciliation

Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

	2013	2012
	$'000	$'000
Deposits with the Treasurer	1 767	1 382
JBWere investments	976	542
Cash on hand	1	11
Cash as recorded in the Statement of Financial Position	2 744	1 935

Deposits with the Treasurer

Deposits with the Treasurer are a combination of funds held in the Museum Board - Bequests Account, an account held with the Treasurer of South Australia pursuant to section 21 of the PFAA, and funds held in the Premier and Cabinet Operating Account, an account held with the Treasurer of South Australia pursuant to section 8 of the PFAA. There are stipulated restrictions on the use of the Zimmerman Bequest component of the cash funds available $101 000 ($100 000) and the Bonython Bequest component of the cash funds available $20 000.

JBWere Investments

Deposits with JBWere are the total of the cash trust accounts for the three managed investment funds - Museum Board, Norman B Tindale Memorial and the Mawson Collection. There are restrictions in place for the cash accounts for the Norman B Tindale Memorial and Mawson Collection $658 000 ($366 000).

Cash on hand

Cash on hand includes petty cash, floats, change machines and an advance account.

Interest rate risk

Cash and cash equivalents are recorded at nominal value. Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Board are held in the section 21 interest bearing account titled 'Museum Board - Bequests Account' and the JBWere accounts.

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services	2013 $'000	2012 $'000
Net cash provided by (used in) operating activities	3 095	1 584
Revenues from SA Government	(13 278)	(10 145)
Non-cash items:		
Depreciation of property, plant and equipment	(1 932)	(1 909)
Donations of heritage collections	194	261
Net gain (loss) on disposal of non-current assets	76	94
Movements in assets/liabilities:		
Receivables	767	144
Payables	(267)	(92)
Staff benefits	(149)	(162)
Provision	(1)	136
Net cost of providing services	(11 495)	(10 089)

23. Unrecognised contractual commitments

Operating lease commitments

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial statements, are payable as follows:		
Not later than one year	345	351
Later than one year but not later than five years	688	995
Total operating lease commitments	1 033	1 346

The operating lease commitments comprise non-cancellable motor vehicle leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms. In addition, a memorandum of understanding exists for the rental of storage space in Netley until 30 June 2016.

Capital commitments	2013	2012
Capital commitments under contract at the reporting date, but not recognised as liabilities in the financial report, are payable as follows:	$'000	$'000
Not later than one year	62	32
Total capital commitments	62	32

Capital commitments relate to plant and equipment works in progress.

Remuneration commitments

Commitments for the payment of salaries and other remuneration under employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:		
Not later than one year	82	181
Later than one year but not later than five years	-	729
Total remuneration commitments	82	910

Amounts disclosed include commitments arising from executive and other service contracts. The Board does not offer remuneration contracts greater than five years.

Other commitments	2013	2012
	$’000	$’000
Not later than one year	1 115	1 222
Later than one year but not later than five years	1 625	1 717
Total other commitments	2 740	2 939

The Board’s other commitments are for agreements for security and cleaning.

Contingency provisions within the contracts require the minimum contract payments to be increased by variable operating costs and wage rises. Options exist to renew the contracts at the end of their terms.

24. Contingent assets and liabilities

The Board is not aware of any contingent assets or liabilities as at 30 June 2013.

25. Events after balance date

There are no known events after balance date that affect these financial statements in a material manner.

26. Financial instruments/Financial risk management

26.1 Categorisation of financial instruments

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

		2013		2012	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	Note	$’000	$’000	$’000	$’000
Cash and cash equivalents:					
Cash	22	2 744	2 744	1 935	1 935
Investments	18	905	1 043	1 204	1 014
Loans and receivables:					
Receivables(1)(2)	15	608	608	546	546
Financial liabilities					
Financial liabilities at cost:					
Payables(1)	19	1 375	1 375	702	702

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

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

Credit risk

Credit risk arises when there is the possibility of the Board’s debtors defaulting on their contractual obligations resulting in financial loss to the Board. The Board 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 26.1 represents the Board’s maximum exposure to credit risk.

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

Credit risk (continued)

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

26.2 Ageing analysis of financial assets

The following table discloses the ageing of financial assets past due:

	Past due by			
2013	Overdue for less than 30 days $'000	Overdue for 30-60 days $'000	Overdue for more than 60 days $'000	Total $'000
Not impaired:				
Receivables	16	2	66	84
2012				
Not impaired:				
Receivables	45	22	48	115

26.3 Maturity analysis of financial assets and liabilities

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

		Contractual maturities		
2013	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	$'000	$'000	$'000	$'000
Cash	2 744	2 744	-	-
Receivables	608	608	-	-
Investments	905	-	-	905
Total financial assets	4 257	3 352	-	905
Financial liabilities:				
Payables	1 375	1 375	-	-
Total financial liabilities	1 375	1 375	-	-
2012				
Financial assets:				
Cash	1 935	1 935	-	-
Receivables	546	546	-	-
Investments	1 204	-	-	1 204
Total financial assets	3 685	2 481	-	1 204
Financial liabilities:				
Payables	702	702	-	-
Total financial liabilities	702	702	-	-

Part B

Glossary of terms

Australian Accounting Standards - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Accounting Standards
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-current Assets Held for Sale and Discontinued Operations
AASB 7	Financial Instruments: Disclosures
AASB 8	Operating Segments
AASB 9	Financial Instruments
AASB 10	Consolidated Financial Statements
AASB 11	Joint Arrangements
AASB 12	Disclosure of Interests in Other Entities
AASB 13	Fair Value Measurement
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Statement of Cash Flows
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Reporting Period
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements
AASB 128	Investments in Associates
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Presentation
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1048	Interpretation of Standards

Australian Accounting Standards - AASB (continued)

Reference	Title
AASB 1049	Whole of Government and General Government Sector Financial Reporting
AASB 1050	Administered Items
AASB 1051	Land Under Roads
AASB 1052	Disaggregated Disclosures
AASB 1054	Australian Additional Disclosures
AASB 1055	Budgetary Reporting
AASB 2009-12	Amendments to Australian Accounting Standards

Australian Interpretations

Reference	Title
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
Interpretation 115	Operating Leases - Incentives
Interpretation 121	Income Taxes – Recovery of Revalued Non-Depreciable Assets
Interpretation 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
Interpretation 132	Intangible Assets – Web Site Costs
Interpretation 1030	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods
Interpretation 1031	Accounting for the Goods and Services Tax (GST)
Interpretation 1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities
Interpretation 1055	Accounting for Road Earthworks

Australian Accounting Standards - AAS

Reference	Title
AAS 25	Financial Reporting by Superannuation Plans

Treasurer’s Instructions – TIs

Reference	Title
TI 1	Interpretation and Application
TI 2	Financial Management
TI 3	Appropriation
TI 4	Establishment of Merchant Facilities for Acceptance of Payments
TI 5	Debt Recovery and Write Offs
TI 6	Deposit Accounts and Banking
TI 8	Financial Authorisations
TI 9	Payroll Deductions
TI 10	Engagement of Legal Practitioners
TI 11	Payment of Creditors’ Accounts
TI 12	Government Purchase Cards and Stored Value Cards
TI 13	Expenditure Incurred by Ministers and Ministerial Staff

Treasurer's Instructions – TIs (continued)

Reference	Title
TI 14	Ex Gratia Payments
TI 15	Grant Funding
TI 17	Evaluation of and Approvals to Proceed with Public Sector Initiatives
TI 19	Financial Reporting
TI 20	Guarantees and Indemnities
TI 22	Tax Equivalent Payments
TI 23	Management of Foreign Currency Exposures
TI 25	Taxation Policies
TI 28	Financial Management Compliance Program

Accounting Policy Framework - APF

Reference	Title
APF I	Purpose and Scope
APF II	General Purpose Financial Statements Framework
APF III	Asset Accounting Framework
APF IV	Financial Asset and Liability Framework
APF V	Income Framework
APF VI	Definitions

Legislation

Reference	Title
ITAA	*Income Tax Assessment Act 1936 and/or Income Tax Assessment Act 1997*
NRMA	*Natural Resources Management Act 2004*
PCA	*Public Corporations Act 1993*
PFAA	*Public Finance and Audit Act 1987*
PSA	*Public Sector Act 2009*
WRCA	*Workers Rehabilitation and Compensation Act 1986*

Acronyms

Reference	Title
AASs	Australian Accounting Standards[1]
APF	Accounting Policy Framework
APS	Accounting Policy Statement
ATO	Australian Taxation Office
CHRIS	Complete Human Resource Information System
CPE	Computer processing environment
CPI	Consumer price index
DPC	Department of the Premier and Cabinet
DTF	Department of Treasury and Finance
EFT	Electronic funds transfer

1 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board that are in force in relation to the reporting period to which the financial report relates.

Acronyms (continued)

Reference	Title
FBT	Fringe benefits tax
GST	Goods and services tax
ICT	Information and communications technology
LSL	Long service leave
SAFA	South Australian Government Financing Authority
Service SA	Government Services Group - Service SA
SSSA	Government Services Group - Shared Services SA
TI	Treasurer’s Instruction
TVSP	Targeted voluntary separation package

Part B

General index

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