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S O U T H   A U S T R A L I A

Report

of the

Auditor-General

Annual Report

for the

year ended 30 June 2008

Tabled in the House of Assembly and ordered to be published, 14 October 2008

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2008

Report of the Auditor-General
Annual Report for the year ended 30 June 2008

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NRMA	*Natural Resources Management Act 2004*
PCA	*Public Corporations Act 1993*
PFAA	*Public Finance and Audit Act 1987*
PSM Act	*Public Sector Management Act 1995*
WRCA	*Workers Rehabilitation and Compensation Act 1986*

ACRONYMS

Reference	Title
AASs	Australian Accounting Standards[1]
AGAAP	Australian Generally Accepted Accounting Principles
AIFRS	Australian equivalents to International Financial Reporting Standards
APF	Accounting Policy Framework
APS	Accounting Policy Statement
ATO	Australian Taxation Office
CHRIS	Complete Human Resource Information System
CPE	Computer Processing Environment
FBT	Fringe Benefits Tax
FMF	Financial Management Framework
GST	Goods and Services Tax
ICT	Information and Communications Technology
TI	Treasurer's Instruction
TVSP	Targeted Voluntary Separation Package

[1] 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board and any of the following standards: AAS 25, AAS 29 and AAS 31 and associated amendments to transitional provisions (AAS 29A, AAS 31A) which are in force in relation to the reporting period to which the financial report relates.

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REFERENCES TO MATTERS OF SIGNIFICANCE

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

Those matters which are regarded as being more significant are listed below, together with a reference to the appropriate page number. This list is not exhaustive, as many other issues are reported in Volumes I, II, III, IV and V of Part B of this Report.

Reference should also be made to Part A — Audit Overview and Part C — State Finances and Related Matters which also contain comments on specific matters of importance and interest.

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 Treasurer is responsible for administering the Scheme. The Department of Treasury and Finance — State Superannuation Office provides services to administer the Scheme.

For further details of the Scheme's administration and funding arrangements refer to Note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 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

Subsection 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 those controls are consistent with the prescribed elements of the FMF as required by TI 2.

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 2007-08, areas of review included:

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

The investment and management of the Scheme assets is reviewed as part of the Funds SA audit.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Judges' Pensions Scheme as at 30 June 2008, and 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 (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised over 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 indicated that the internal controls over the Scheme's operations were satisfactory and did not identify any matters that warranted formal communication to the agency.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008 $'million	2007 $'million	Percentage Change
REVENUE			
Employer contributions	**4.1**	3.7	11
Investment revenue	**(15.4)**	26.8	-
Total Revenue	**(11.3)**	30.5	-
EXPENSES			
Benefits and other expenses	**16.4**	14.8	11
Total Expenses	**16.4**	14.8	11
Transfer from (to) Consolidated Account	**12**	(12)	-
Operating Result	**(15.7)**	3.7	-
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	**9.6**	(14.9)	-
ASSETS			
Investments	**138.9**	145.5	(5)
Other assets	**0.1**	0.1	-
Total Assets	**139.0**	145.6	(5)
LIABILITIES			
Liability for accrued benefits	**150.0**	140.9	6
Other liabilities	**0.2**	0.2	-
Total Liabilities	**150.2**	141.1	6
(DEFICIT) EXCESS OF NET ASSETS OVER LIABILITIES	**(11.2)**	4.5	-

Operating Statement

The operating result for the year was a deficit of $15.7 million (surplus of $3.7 million). The year's result took into account:

- a transfer of $12 million from the Consolidated Account, whereas in 2006-07 $12 million was transferred to the Consolidated Account. The Treasurer approved the 2007-08 transfer on the expectation of the value of assets being held as at 30 June 2008 being less than the value of the Scheme's accrued liabilities due to the worldwide downturn in investment markets.

- negative returns on investments of $15.4 million. Investment returns are further discussed in the commentary for 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report

- a benefits expense of $15.6 million.

Statement of Financial Position

As at 30 June 2008, there was an excess of liabilities over assets of $11.2 million. The estimated liability for accrued benefits increased by $9.1 million to $150 million for which assets of $139 million were available to pay benefits. Therefore, the fund is in deficit as at 30 June 2008. The deficit arose due to negative investment returns in 2007-08. The size of the deficit was reduced by a $12 million transfer from the Consolidated Account.

As at 30 June 2007, the Scheme was fully funded as there was an excess of assets over liabilities of $4.5 million.

In comparison, vested benefits as at 30 June 2008 were $115 million. Vested benefits represent benefits which 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 have attained age 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 and pensions paid for the past four years were:

	2008	2007	2006	2005
Pensioners	**55**	58	51	46
Pensions paid ($'000)	**6 445**	6 643	5 523	4 662

Contributions by Employers

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

	2008	2007	2006	2005
Members	**44**	45	45	46
Contributions received ($'000)	**4 118**	3 749	3 569	3 331

Operating Statement
for the year ended 30 June 2008

	Note	**2008**	2007
REVENUE:		**$'000**	$'000
Investment revenue		**(15 370)**	26 833
Interest income		**6**	5
Contribution revenue:			
Contributions by employers		**4 136**	3 743
Total Revenue		**(11 228)**	30 581
EXPENSES:			
Direct investment expense	4	**831**	933
Administration expense	11	**48**	41
Benefits expense	6	**15 570**	13 897
Total Expenses		**16 449**	14 871
TRANSFER FROM (TO) CONSOLIDATED ACCOUNT	3	**12 000**	(12 000)
OPERATING RESULT FOR THE PERIOD		**(15 677)**	3 710

Statement of Financial Position
as at 30 June 2008

	Note	**2008**	2007
		$'000	$'000
INVESTMENTS:			
Inflation linked securities		**12 358**	11 166
Property		**14 245**	14 765
Australian equities		**43 525**	49 561
International equities		**43 583**	46 010
Fixed interest		**7 805**	6 657
Diversified strategies - Growth		**6 603**	5 898
Diversified strategies - Income		**9 284**	5 358
Cash		**1 508**	6 068
		138 911	145 483
OTHER ASSETS:			
Cash and cash equivalents	10	**25**	23
Sundry debtors		**3**	3
Contributions receivable		**90**	72
		118	98
Total Assets		**139 029**	145 581
CURRENT LIABILITIES:			
Sundry creditors		**7**	16
Benefits payable		**180**	157
Total Liabilities		**187**	173
NET ASSETS AVAILABLE TO PAY BENEFITS	5	**138 842**	145 408
Less: **LIABILITY FOR ACCRUED BENEFITS**	6	**150 011**	140 900
(DEFICIT) EXCESS OF NET ASSETS OVER LIABILITIES		**(11 169)**	4 508

Statement of Cash Flows
for the year ended 30 June 2008

	Note	**2008 Inflows (Outflows) $'000**	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Contributions by employers		**4 118**	3 749
Bank interest received		**6**	5
GST recoup		**1**	3
Transfer from (to) Consolidated Account	3	**12 000**	(12 000)
Benefit payments		**(6 445)**	(6 643)
Administration expense		**(48)**	(44)
Net Cash provided by (used in) Operating Activities	9	**9 632**	(14 930)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from Funds SA		**6 140**	18 300
Payments to Funds SA		**(15 770)**	(3 370)
Net Cash (used in) provided by Investing Activities		**(9 630)**	14 930
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		**2**	-
CASH AND CASH EQUIVALENTS AT 1 JULY		**23**	23
CASH AND CASH EQUIVALENTS AT 30 JUNE	10	**25**	23

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) Judges' Pensions Scheme

The Judges' Pensions 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 retires or who is over the age of 60 years and has had not less than 10 years judicial service. 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 members' salary immediately prior to retirement or resignation. The Scheme is non-contributory.

(b) Superannuation Funds Management Corporation of South Australia

Superannuation Funds Management Corporation of South Australia (Funds SA) is 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 expense contained in this financial report are related to the investment activities of Funds SA (SA Government entity).

(c) Funding Arrangements

Under subsection 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.

Employer contributions at a rate of 30 percent of salary are paid to the Treasurer from SA Government entities to fund emerging superannuation liabilities. These contributions are deposited into the Scheme, with $4.1 million ($3.7 million) being credited during the year ended 30 June 2008.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with relevant AASs and TI and APS promulgated under the provisions 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. A number of AASs have been issued or amended and may be applicable to the Scheme but are not yet effective. The impact of the new and amended standards has been assessed and there will be no impact on the accounting policies.

The financial report is presented 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 which are provided by Funds SA.

(i) Inflation Linked Securities

Inflation Linked Securities portfolio comprises two sub-sectors:

- *Internally Managed*
  These investments, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer, Macquarie Bank Limited.

- *Externally Managed*
  Externally managed portfolio is invested and managed by an external manager. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(ii) Property

Property portfolio comprises two sub-sectors:

- *Listed Property Trusts*
  Listed property trust portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolios using market prices applicable at balance date.

- *Unlisted Property Vehicles*
  Unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian Equities

Australian Equities 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

International Equities 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

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)

Diversified Strategies (Growth) portfolio comprises investments in domestic and overseas private equity funds and domestic and overseas pooled funds, which are invested and managed by external managers. Valuations of private equity funds are based on the most recently available valuations by the relevant managers. Both domestic and international funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (November 2005). 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)

Diversified Strategies (Income) portfolio comprises investments in both domestic (Australian) and overseas 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

Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(c) Taxation

The scheme is constitutionally protected under the Regulations to the ITAA 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.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Sundry Debtors includes a refund from the ATO for GST paid on administration expenses.

(e) Revenue

Superannuation contributions are brought to account on an accrual basis.

3. Transfer from / to Consolidated Account

An actuarial assessment of the estimated employer accrued liabilities as at 30 June 2008 has been undertaken and compared with the estimated employer assets invested as at 30 June 2008. As a result, the Treasurer approved a transfer of $12 million from the Consolidated Account in 2008. In the 2007 year a transfer of $12 million was made to the Consolidated Account.

4. Direct Investment Expenses

Direct investment expenses comprise fees paid to Funds SA and the investment managers. Funds SA advises the amount based on the Scheme's proportionate investment with the relevant investment managers.

5. Net Assets Available to Pay Benefits

	2008	2007
	$'000	$'000
Funds held at 1 July	**145 408**	134 498
Add: Contributions	**4 136**	3 743
Investment revenue	**(15 370)**	26 833
Interest income	**6**	5
	(11 228)	30 581
Less: Transfers to Consolidated Account	**-**	12 000
Transfers from Consolidated Account	**12 000**	-
Benefits paid	**6 459**	6 697
Direct investment expense	**831**	933
Administration expenses	**48**	41
	(4 662)	19 671
Funds Held at 30 June	**138 842**	145 408

6. 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 2007 triennial review of the South Australian Superannuation Scheme. Salary increases of 3.5 percent per annum above the Adelaide Consumer Price Index (CPI) have been assumed. 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 percent per annum above the CPI.

The accrued superannuation liability as determined by the State Superannuation Office of the Department of Treasury and Finance, is estimated at $150 million ($140.9 million) as at 30 June 2008.

	2008	2007
	$'000	$'000
Liability for accrued benefits at 1 July	**140 900**	133 700
Add: Benefits expense[(i)]	**15 570**	13 897
Less: Benefits paid/payable	**6 459**	6 697
Liabilities for Accrued Benefits at 30 June	**150 011**	140 900

(i) This figure represents the change in Liability for Accrued Benefits plus Benefits Paid/Payable for the year.

7. Vested Benefits

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.

	2008	2007
	$'000	$'000
Vested benefits	**114 600**	104 900

8. Guaranteed Benefits

The entitlements of members are specified by the *Judges' Pensions Act 1971*.

9. Reconciliation of Operating Result to Net Cash used in Operating Activities

	2008	2007
Operating result	**(15 677)**	3 710
Benefits expense	**15 570**	13 897
Benefits paid/payable	**(6 459)**	(6 697)
Investment revenue	**15 370**	(26 833)
Direct investment expense	**831**	933
(Decrease) Increase in sundry creditors	**(8)**	9
(Increase) Decrease in contributions receivable	**(18)**	5
Increase in benefits payable	**23**	46
Net Cash provided by (used in) Operating Activities	**9 632**	(14 930)

10. Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposits with the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2008	2007
	$'000	$'000
Cash and deposits at Treasury	**25**	23

11. Administration Expenses

Administration expenses	**41**	34
Auditor's remuneration	**7**	7
	48	41

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

Auditor's Remuneration are amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Scheme for the year ended 30 June 2008 total. No other services were provided by the auditors.

12. Financial Instruments

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

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

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

- market risk
- credit risk
- liquidity risk.

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

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

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The Super SA Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

(a) Market Risk

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

(i) Currency Risk

Currency Risk is the risk that the fair value or 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.

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), property and fixed interest asset sectors are fully hedged to Australian dollars.

- Foreign currency exposures in the international equities asset sector are one-third 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.

(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 sub markets.

- 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 provide a reasonably possible change in the value of the investments in each investment option. The standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on investment assets from possible changes in market price risk.

Investment Option	Sensitivity Variable	Standard Deviation percent	**Changes in Investment Assets $'000**
2008			
Growth	Nominal standard deviation	11.70	**16 253**
Total			**16 253**
2007			
Growth	Nominal standard deviation	11.30	16 440
Total			16 440

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.

(iv) Sensitivity Analysis (continued)

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 options' expected return in future years.

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 counter party 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.

2008	**Less Than Three Months $'000**	**Three Months to One Year $'000**	**Total Contractual Cash Flows $'000**	**Carrying Amount (Asset) Liabilities $'000**
Benefits payable	**180**	**-**	**180**	**180**
Sundry creditors	**7**	**-**	**7**	**7**
Vested benefits(i)	**114 600**	**-**	**114 600**	**114 600**
Total	**114 787**	**-**	**114 787**	**114 787**
2007				
Benefits payable	157	-	157	157
Sundry creditors	16	-	16	16
Vested benefits(i)	104 900	-	104 900	104 900
Total	105 073	-	105 073	105 073

(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 Estimation

The carrying amounts of all the Scheme's financial instruments at the balance date approximated their fair values.

(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.

LAND MANAGEMENT CORPORATION

FUNCTIONAL RESPONSIBILITY

Establishment

The Land Management Corporation (the Corporation) is a subsidiary corporation of the Minister for Infrastructure established pursuant to the provisions of the PCA. Its governing body is a board whose members are appointed by the Minister.

Functions

The regulations establishing the Corporation provide for it to manage land and property through the acquisition, leasing and disposal of surplus and other land for commercial, industrial, residential or other purposes. In performing its functions the Corporation is required to ensure the orderly development of land. For more information about the Corporation's functions, refer to Note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and clause 13(3) of the Schedule to the PCA requires the Auditor-General to audit the accounts and financial statements of the Corporation.

Assessment of Controls

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

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 statements and internal controls.

During 2007-08, specific areas of audit attention included:

- land sales
- expenditure
- fixed assets
- inventory
- construction work in progress
- investment properties
- cash
- payroll and related payments
- property income
- legal compliance
- financial accounting.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Land Management Corporation as at 30 June 2008, and 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 (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the Land Management Corporation 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 expenditure processing, as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Land Management Corporation have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive of the Corporation and were responded to by the Corporation. Major matters raised with the Corporation and the related responses are outlined below.

Contract Variations

The review of the Corporation's contract management practices included consideration of controls over approving contract variations and the approval obtained for variations under specific contracts. The audit noted that policies and procedures and Delegations of Authority do not provide specific guidance on how contract variations are to be approved.

Audit recommended the Corporation develop guidelines for approving contract variations and incorporate them in the Corporation's policies and procedures.

The Corporation responded it will revise the current policies and procedures to provide additional guidance and clarification for the management of contract variations.

Expenditure Processing

Audit review in 2006-07 highlighted that the Corporation's processes were largely paper based and that significant reliance was placed on checking at the point of disbursement. Audit identified that the Corporation did not utilise the online requisitioning and approving functions within Accpac and that a high proportion of purchase orders were generated only on receipt of an invoice. Audit recommended the Corporation implement the Accpac Purchase Order Module with on-line delegations.

The Corporation's detailed response to the 2006-07 audit findings identified a range of actions to be implemented to address the findings and recommendations.

Follow-up in 2007-08 identified the Corporation had not implemented the Accpac Purchase Order Module with on-line delegations. Audit also identified instances where controls were not complied with, including:

- all officers are able to raise purchase orders within the Accpac system
- the value of purchase orders can be amended without further approval
- purchase orders were raised after an invoice was received
- purchase orders were raised inclusive of contract contingencies.

As in 2006-07, Audit recommended the Corporation implement the Accpac Purchase Order Module with on-line delegations.

The Corporation responded that investigations into the Accpac system identified it was not suitable to implement on-line delegations and system controls around purchase orders. The Corporation believed it had implemented compensating controls to address the use of purchase orders and is currently in the process of designing a work flow tool to address the purchase order system controls and on-line delegations.

Updating the LandBank Register

The LandBank Register is used to record details of the Corporation's land inventory holdings which are updated for land sales and purchases and for the subdivision of land parcels. Audit identified:

- instances where the Corporation's LandBank Register was not updated in a timely manner
- reconciling items between the LandBank Register and General Ledger were not investigated and cleared on a regular and timely basis.

Audit recommended that the Corporation ensure timely action is taken to process additions and disposals and to investigate and clear reconciling items between the LandBank Register and the General Ledger.

The Corporation responded by explaining the circumstances associated with each instance where the Register was not updated on a timely basis and indicated measures would be implemented to ensure changes were recorded on a timely basis in future.

Reconciliations

Audit identified areas where control over the reconciliation of subsidiary systems to the general ledger could be improved, specifically:

- reconciling items were not investigated and cleared in a timely manner
- reconciliations were not dated by the preparer or the reviewer to provide assurance they were performed and reviewed in a timely manner
- clearing account reconciliations were not performed in a timely manner.

Audit recommended that reconciliations are dated by the preparer and reviewer, and that reconciling items are investigated and cleared in a timely manner.

The Corporation responded it would identify measures to ensure reconciliations were appropriately completed on a timely basis in future.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

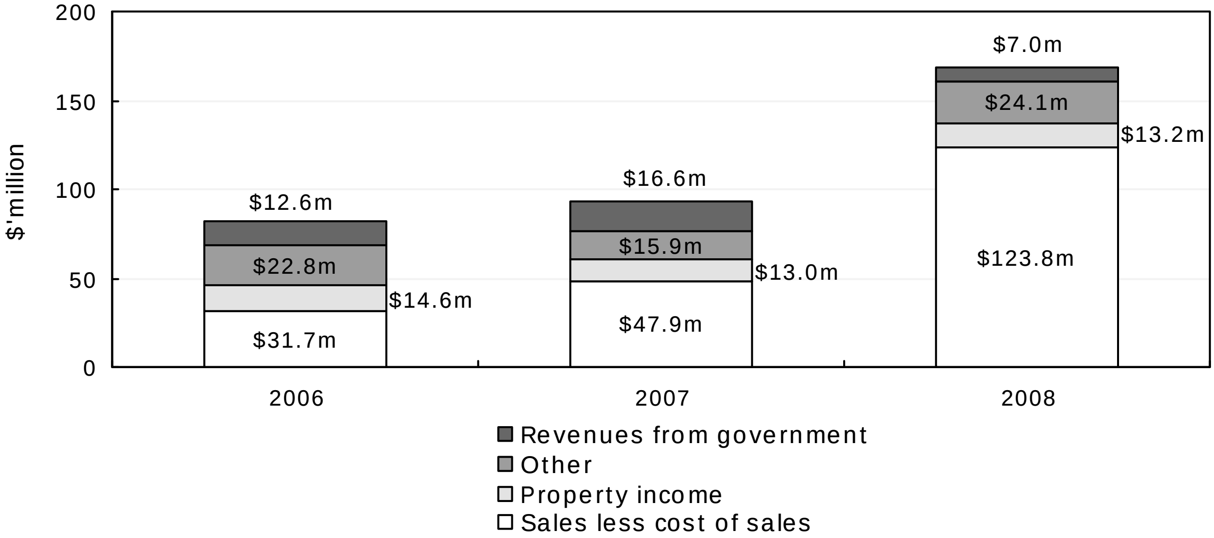
Highlights of the Financial Report

	2008	2007	Percentage
	$'million	$'million	Change
INCOME			
Sales less cost of sales	**123.8**	47.9	158
Revenues from Government	**7.0**	16.6	(58)
Property income	**13.2**	13.0	2
Other income	**24.1**	15.8	53
Total Income	**168.1**	93.4	80
EXPENSES			
Employee benefits expense	**8.8**	7.7	14
Borrowing costs	**8.4**	5.0	68
Contractors and consultants	**5.9**	4.5	31
Land tax	**10.4**	8.5	22
Other expenses	**13.5**	10.8	25
Total Expenses	**47.0**	36.5	29
Profit before Income Tax Equivalent	**121.0**	56.8	113
Income tax equivalent expense	**36.3**	17.0	113
Net profit after Income Tax Equivalent	**84.7**	39.8	113
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**59.1**	(26.8)	-
ASSETS			
Current assets	**83.7**	42.6	96
Non-current assets	**262.6**	224.1	17
Total Assets	**346.3**	266.7	30
LIABILITIES			
Current liabilities	**96.9**	117.0	(17)
Non-current liabilities	**87.6**	46.3	89
Total Liabilities	**184.5**	163.3	13
EQUITY	**161.8**	103.4	57

Income Statement

Income

The following chart shows the changing composition of the Corporation's income over the past three years.



The chart shows that income from Sales less cost of sales has increased significantly by $75.9 million (158 percent) compared to 2006-07 reflecting the impact of the Corporation's total land sales.

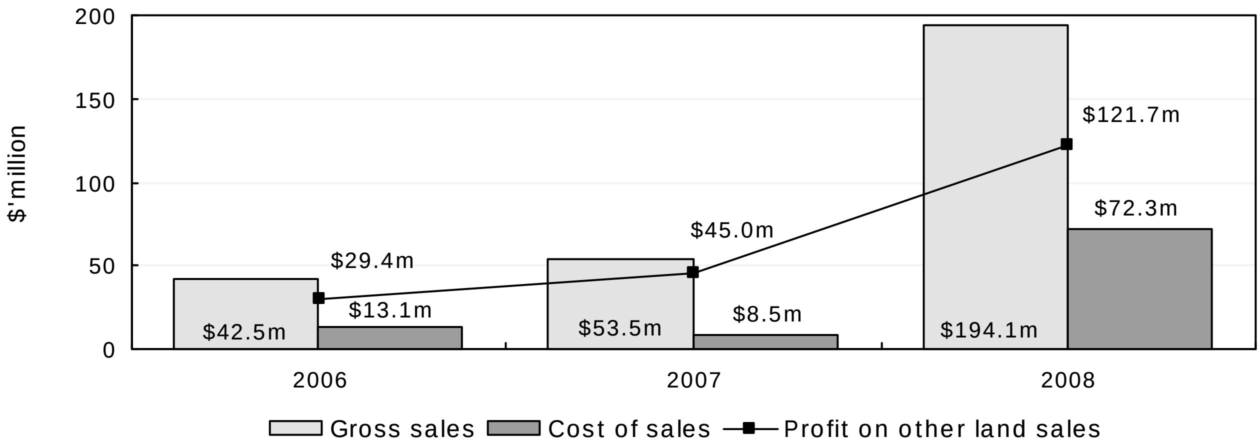
The Corporation's total land sales resulting from the following two areas of operation are analysed below.

Joint Venture Land Sales

Gross Sales of land through Joint Venture entities, to which the Corporation is party, increased slightly by $296 000 to $3.8 million in 2007-08. Cost of sales amounted to $48 000 resulting in an increase in Profit in land sales to $3.7 million.

Other Land Sales

The following chart shows the value of other land sales by the Corporation over the last three years.



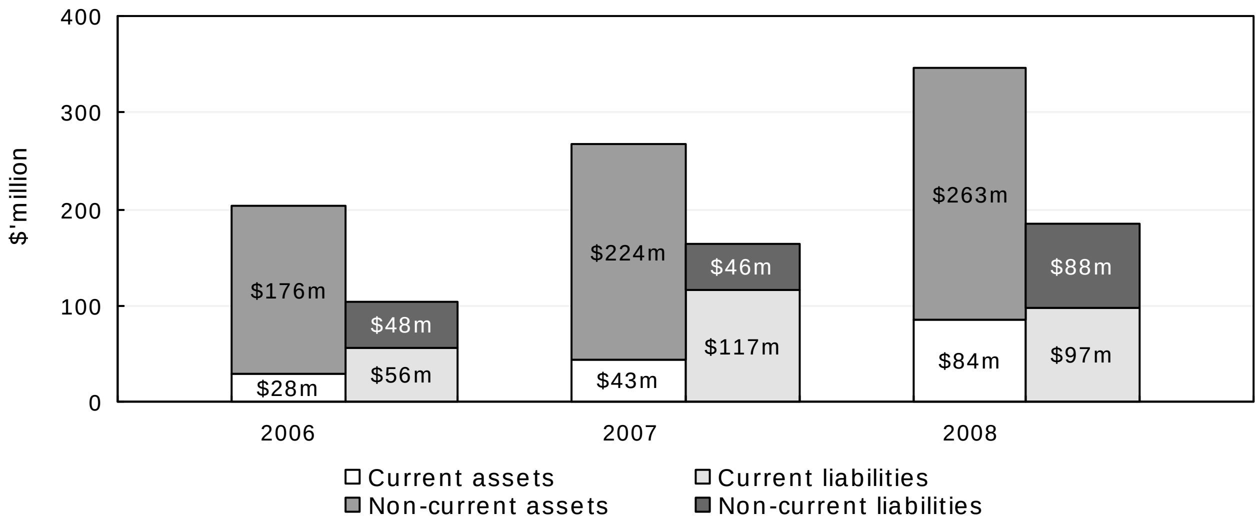
Analysis of the composition of other land sales identified that the:

- material land sales in 2007-08 occurred in Blakeview, Andrews Farm, Edinburgh Parks, Gillman, and Osborne and totalled $165.2 million
- material land sales in 2006-07 occurred in Le Fevre, Port Adelaide Waterfront, Edinburgh Parks and Seaford and totalled $47.0 million
- material land sales in 2005-06 occurred in Darlington, Huntfield Heights, Port Adelaide Waterfront, Penfield, Edinburgh Parks and Seaford and totalled $41.8 million.

The majority of the land sold by the Corporation in 2007-08 was 53 percent industrial and 47 percent broad hectare land for residential development compared with 71 percent industrial land and 21 percent broad hectare land during 2006-07 and 45 percent industrial land and 55 percent broad hectare land during 2005-06.

Balance Sheet

A structural analysis of assets and liabilities for the three years to 2008 is shown in the following chart.



The Corporation's net assets increased in 2007-08 by $58.4 million to $161.8 million.

Assets

The Corporation's total assets increased by $79.6 million to $346.3 million reflecting:

- an increase in Inventories of $24 million mainly relating to development costs associated with Marina Adelaide, Lochiel Park, and Port Adelaide Waterfront Redevelopment
- an increase in Cash of $36.6 million that relates to increased land sales and an equity contribution from the SA Government
- an increase in Mortgage Debtor Receivables of $46.6 million relating to the sale of a Premises SA project under a deferred purchase agreement.

Liabilities

The Corporation's total liabilities increased by $21.2 million to $184.5 million. The increase is due mainly to the recognition of a provision for development expenditure related to the Playford Alive and Lochiel Park projects. In addition Tax Liabilities have increased as a result of increased profit due to the increased land sales.

Asset Valuations

Land held-for-resale is recognised in the Balance Sheet at the lower of cost or net realisable value in accordance with AASB 102.

In recognition that the market value is materially greater than the recorded book value, the Corporation have disclosed, by note to the financial statements (refer Note 2.10), the estimated market value of $479.5 million with respect to land held for sale as at 30 June 2008, based on the 30 June 2006 valuations and taking into account additions and disposals.

In determining the estimated market value consideration was given to the planned sales strategy adopted by the Corporation which anticipates that land held for sale will be disposed over an extended period of time. The valuation assumes the Corporation's entire land holding is not taken to market in its entirety. In addition the valuation does not take into consideration the development costs to be incurred to prepare the land for sale or future property market conditions.

Cash Flow Statement

The following table summarises the net cash flows for the three years to 2008.

	2008	2007	2006
	$'million	$'million	$'million
Net Cash Flows			
Operations	**59.1**	(26.8)	30.6
Investing	**10.4**	3.8	6.1
Financing	**(32.9)**	22.5	(53.8)
Change in Cash	**36.6**	(0.5)	(17.1)
Cash at 30 June	**53.5**	16.9	17.4

The analysis of cash flows shows that the Corporation's cash reserves increased significantly in 2007-08. An explanation for the increase is outlined below.

Operations

The significant net cash inflows from operating activities during 2007-08 was principally due to the $88 million increase in cash received from land sales.

Investing

Net cash flows from investing activities have increased due to the $6.9 million sale of the East End investment property.

Financing

In June 2008 the Corporation received a $35 million capital contribution from the SA Government to allow the Corporation to participate in any future joint ventures with the private sector in developing the former Mitsubishi Motors site at Tonsley Park site. This was offset by a $26.3 million repayment of borrowings and a dividend payment of $61.4 million to the Treasurer. The payments resulted in the significant increase in net cash outflows from financing activities.

FURTHER COMMENTARY ON OPERATIONS

Mawson Lakes Government Infrastructure Project

As part of the joint venture arrangements for the Mawson Lakes Economic Development Project, the State Government committed to infrastructure works in July 1997 under a project commitment deed. The deed committed the State Government, through a number of government agencies (ie Department for Transport, Energy and Infrastructure, Planning SA, Department of Education and Children's Services and Land Management Corporation), to deliver specified infrastructure.

The Corporation's obligations, under the original project commitment deed, amounted to $17.6 million (in 1996 dollars) over a nine year period. The Corporation's most recent forecast of its future commitments under the arrangements is $1.6 million (in current dollars) to be spent in the next year. It is anticipated the Corporation will have satisfied all its obligations under the commitment deed by the end of 2008-09. This is later than previously scheduled due to a review of program requirements to integrate with other components of the Joint Venture project. The infrastructure works to be completed are drainage and landscaping in nature.

To date the Corporation has spent a total of $21.5 million meeting its component of the State Government's obligations on Mawson Lakes infrastructure.

Port Adelaide Waterfront Redevelopment

The Port Adelaide Waterfront Redevelopment Project represents a major urban renewal project of waterfront land at Port Adelaide. In June 2002 the Board endorsed the selection of the Newport Quays Consortium.

The Corporation and Newport Quays Consortium signed the Development Agreement in October 2004.

In September 2004 the Board endorsed in-principle arrangements for the construction and sale of marina berths as a joint venture arrangement. In July 2005, Cabinet approval was obtained to proceed with the Marina Joint Venture.

During 2005-06 the Corporation lodged an application with the Development Assessment Commission for the first stage of the remediation program. Precinct 1 was remediated and transferred to the Consortium in March 2006, and remediation and civil works commenced on Precinct 2.

The Corporation formed an unincorporated joint venture in August 2005 for the development of marinas to be marketed and leased in conjunction with the Port Adelaide Waterfront Redevelopment residential allotments. A master plan for the development of 552 marina berths was approved by the Development Assessment Commission in February 2007. Construction of the 61 berth Precinct Edgewater Marina was completed in July 2007.

Remediation works for Precinct 2A Marina Cove reached practical completion in June 2007, with four of the six Precinct 2A land areas transferred to the Consortium during 2006-07. Remediation planning was completed for Precinct 8 during 2006-07 and a Development Application to undertake remediation work in Precinct 8B was lodged with the Development Assessment Commission.

During 2007-08 a number of activities relating to the Port Adelaide Waterfront Redevelopment were undertaken including:

- the remaining Precinct 2A land areas were transferred to the Consortium with construction of the Precinct 2A Marina Cove development underway

- remediation planning for Precincts 2B and 2C was undertaken and a Development Application to undertake remediation works was lodged with the Development Assessment Commission in January 2008

- the Precinct 2B marina development feasibility commenced in March 2008 and is ongoing.

Settlement of the 44 berth leases at Edgewater Marina was completed in August 2008. Marketing and the Agreement to Lease of the 76 berth Precinct 2A Marina South were completed in August 2008. Construction of the Precinct 2A Marina Cove South development is to commence in September 2008.

The Corporation's obligations under the Development Agreement amount to $42.440 million (in current dollars) over the life of the agreement.

Playford North

The Playford North Urban Regeneration Project is an urban renewal project which is planned to be completed over 15-18 years housing approximately 30 000 people through the construction of more than 4500 new houses and renovation of existing dwellings.

Playford North encompasses an area of approximately 1000 hectares of land in northern Adelaide, including the existing communities of Smithfield Plains and Davoren Park and adjacent vacant land in Munno Para, Munno Para West, Munno Para Downs, Andrews Farm and Penfield.

In February 2006 Cabinet approved the project which the Corporation will manage and be the lead developer of the Greenfield land. The Corporation has undertaken a coordinating role to ensure the delivery of whole of Government objectives and is working with the City of Playford and the Department for Families and Communities.

During 2007 master planning for the project area was completed following community consultation.

In October 2007 the Public Works Committee recommended that the Corporation proceed with the development of Stage 1 - Andrews Farm. The Corporation, through the use of private contractors, is responsible for the delivery of the land, site infrastructure and site related innovations.

Civil works in Andrews Farm have commenced with practical completion expected by the end of September 2008. Land sales are about to commence.

In March 2008 Cabinet approved the development of Stages 1a to 1d at Munno Para West as the second stage of the project. In April 2008 the Public Works Committee recommended that the Corporation proceed with the development of Munno Para West.

Stage 1 works are about to commence in Munno Para West including developing infrastructure to service the B-12 school and approximately 230 residential lots.

A Development Plan Amendment Report has been finalised and is awaiting authorisation by the Minister for Planning.

The Corporation's original budgeted expenditure was $171.1 million.

Premises SA (former Industrial and Commercial Premises Scheme)

In 2005-06 the Corporation entered into an agreement to contribute funding for the construction of a processing plant for Inghams at Edinburgh Parks.

During 2007-08 the facility was completed. The cost of constructing the facility over the past two years was charged to work in progress. Upon completion the construction cost of $46 million was transferred to inventory. When occupied the property was sold to Inghams for $52 million with the proceeds recognised as sales income. The cost of the property was transferred from inventory to cost of sales. The sale was funded by a 10 year deferred purchase agreement which is reflected in mortgage debtor receivables. The sales price reflects the purchase price of the land and the cost to construct the facility.

Income Statement
for the year ended 30 June 2008

	Note	**2008** **$'000**	2007 $'000
INCOME:			
Sales	4	**197 916**	56 975
Less: Cost of sales		**74 080**	9 098
Gross Profit		**123 836**	47 877
Share of net profits of joint venture entities	5.1	**10 903**	10 382
Revenues from government	6	**6 953**	16 619
Interest	3,4	**7 000**	3 233
Property income	4(b)	**13 190**	13 013
Other revenue	4(b)	**3 231**	1 832
Gain resulting from changes in fair value of investment properties	2.12,14	**2 982**	394
Total Other Income		**44 259**	45 473
Total Income		**168 095**	93 350
EXPENSES:			
Land tax	3(b)	**10 365**	8 526
Property expenditure	3	**7 541**	5 898
Contractors and consultants	30	**5 882**	4 530
Employee benefits expense	27	**8 841**	7 738
Accommodation		**576**	517
Borrowing costs	3	**8 414**	5 039
Depreciation	15	**373**	385
Write down of inventory held-for-resale	2.10	**-**	250
Administration and operating/other expenditures	3	**5 052**	3 657
Total Expenses		**47 044**	36 540
PROFIT BEFORE INCOME TAX EQUIVALENT		**121 051**	56 810
Income tax equivalent paid or payable	8	**36 315**	17 044
NET PROFIT AFTER INCOME TAX EQUIVALENT		**84 736**	39 766

Net profit after income tax equivalents is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2008

	Note	**2008**	2007
CURRENT ASSETS:		**$'000**	$'000
Cash assets	25	**53 478**	16 878
Mortgage debtor receivables	10	**6 182**	2 835
Other receivables	11	**6 169**	1 637
Inventories	12	**17 828**	21 229
Prepayments	13	**31**	45
Total Current Assets		**83 688**	42 624
NON-CURRENT ASSETS:			
Mortgage debtor receivables	10	**59 822**	16 601
Inventories	12	**90 196**	62 866
Investment property	14	**83 515**	87 285
Plant and equipment	15	**1 009**	1 307
Work in progress	16	**10 129**	36 224
Investment in joint venture entities	5.1	**17 927**	19 824
Total Non-Current Assets		**262 598**	224 107
Total Assets		**346 286**	266 731
CURRENT LIABILITIES:			
Payables	17	**30 901**	27 376
Unearned income		**997**	490
Tax liabilities	8,19	**17 960**	8 544
Interest bearing liabilities	18	**36 158**	79 989
Provision for development expenditure		**10 196**	-
Employee benefits	20.1	**664**	584
Total Current Liabilities		**96 876**	116 983
NON-CURRENT LIABILITIES:			
Payables	17	**593**	592
Unearned income		**3 614**	-
Interest bearing liabilities	18	**82 456**	44 888
Employee benefits	20.1	**974**	876
Total Non-Current Liabilities		**87 637**	46 356
Total Liabilities		**184 513**	163 339
NET ASSETS		**161 773**	103 392
EQUITY:			
Contributed Capital		**35 000**	-
Retained earnings		**126 773**	103 392
TOTAL EQUITY		**161 773**	103 392

	Note
Unrecognised contractual commitments:	
Operating lease commitments	21
Capital expenditure commitments	22
Contingent assets and liabilities	23

Total equity is attributable to the SA Government as owner

Statement of Changes in Equity
for the year ended 30 June 2008

	Contributed Capital $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2006	-	99 988	99 988
Profit after income tax equivalent for 2006-07	-	39 766	39 766
Dividend paid or payable to the Treasurer	-	(36 439)	(36 439)
Balance at 30 June 2007	-	103 315	103 315
Prior period correction	-	77	77
Restated balance at 30 June 2007	-	103 392	103 392
Equity contribution from the SA Government	35 000	-	35 000
Profit after income tax equivalent for 2007-08	-	84 736	84 736
Dividend paid or payable to the Treasurer	-	(61 355)	(61 355)
Balance at 30 June 2008	**35 000**	**126 773**	**161 773**

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

Cash Flow Statement
for the year ended 30 June 2008

	Note	**2008 Inflows (Outflows) $'000**	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Receipts from sales		**145 716**	56 965
Receipts from SA Government	6	**6 953**	16 619
Interest received		**2 097**	676
Receipts from mortgage debtors (principal and interest)		**9 878**	5 148
Receipts from tenants (rent and recoveries)		**13 499**	12 509
Recoveries and sundry receipts		**26 461**	14 667
GST receipts from taxation authority		**1 770**	1 798
Cash generated from Operations		**206 374**	108 382
CASH OUTFLOWS:			
GST payments to taxation authority		**(12 086)**	(2 278)
Payments for land purchase and development		**(40 394)**	(31 460)
Payments for work in progress (inventory)		**(11 373)**	(35 397)
Employee benefit payments		**(8 628)**	(7 414)
Payments to suppliers		**(32 391)**	(25 480)
Land tax paid		**(6 791)**	(7 471)
Interest paid		**(8 719)**	(4 826)
Income tax equivalent paid	8	**(26 899)**	(20 856)
Cash used in Operations		**(147 281)**	(135 182)
Net Cash provided by (used in) Operating Activities	24	**59 093**	(26 800)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Deposits received under ICPS (for investment property)		**-**	372
Capital repayments by joint ventures		**1 250**	3 575
Distributions of profit by joint ventures		**15 250**	13 650
Proceeds from disposal of property, plant and equipment		**6 875**	-
Cash generated from Investing Activities		**23 375**	17 597
CASH OUTFLOWS:			
Capital contributions to joint ventures	5.1	**(3 700)**	(4 808)
Payments for property, plant and equipment		**(198)**	(8 680)
Payments for work in progress (rental properties)		**(9 091)**	(288)
Cash used in Investing Activities		**(12 989)**	(13 776)
Net Cash provided by Investing Activities		**10 386**	3 821
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Capital contributions received from the SA Government		**35 000**	-
Proceeds from borrowings		**19 727**	64 408
Cash generated from Financing Activities		**54 727**	64 408
CASH OUTFLOWS:			
Repayment of borrowings		**(26 251)**	(5 531)
Dividends paid	9	**(61 355)**	(36 439)
Cash used in Financing Activities		**(87 606)**	(41 970)
Net Cash (used in) provided by Financing Activities		**(32 879)**	22 438
NET INCREASE (DECREASE) IN CASH HELD		**36 600**	(541)
CASH AT 1 JULY		**16 878**	17 419
CASH AT 30 JUNE	25	**53 478**	16 878

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Land Management Corporation

The Land Management Corporation (the Corporation) was established on 24 December 1997 as a subsidiary corporation of the Minister for Government Enterprises (the Minister) pursuant to the *Public Corporations Act 1993* (the Act). The Corporation is a body corporate, has perpetual succession and a common seal, and is capable of suing and being sued in its corporate name. It is governed by a Board of Directors consisting of seven members appointed by the Minister (refer Note 28.1).

As at reporting date the Corporation's functions and performance were limited to the following by Regulations under the Act:

(aa) To carry out the functions formerly carried out by the South Australian Urban Projects Authority and the Industrial and Commercial Premises Corporation under the Industrial Premises Development Scheme.

(a) To acquire, hold, manage, lease and dispose of surplus land, improvements and other property previously held by the MFP Development Corporation or other agencies or instrumentalities of the Crown.

(b) To acquire, hold, manage, lease and dispose of other land, improvements and property, particularly with a view to:

- (i) managing the release of large areas of undeveloped (or underdeveloped) land;
- (ii) holding land and other property to be made available, as appropriate, for commercial, industrial, residential or other purposes;
- (iii) ensuring the orderly development of areas through the management and release of land, as appropriate;

(c) To manage the Crown's interest in various joint ventures and land development projects as identified by the Minister.

(d) To manage, develop, lease and, where appropriate, dispose of land and improvements at Science Park at Bedford Park.

(e) To manage, develop, lease and, where appropriate, dispose of land and improvements at Technology Park at Mawson Lakes with specific emphasis on using the assets to facilitate economic development.

(f) To manage the sale of surplus government land on behalf of other agencies or instrumentalities of the Crown.

(g) To manage urban projects (on its own behalf or on behalf of other agencies or instrumentalities of the Crown) to achieve urban regeneration or other government policy outcomes.

(h) To carry out other functions conferred on the Corporation by the Minister.

2. Statement of Significant Accounting Policies

2.1 Statement of Compliance

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs, TIs and APSs promulgated under the provisions of the PFAA.

AASs include AIFRS, AASs and Interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Corporation for the reporting period ended 30 June 2008. The Corporation has assessed the impact of the new and amended Standards and Interpretations and considers there will be no impact on the accounting policies or the financial report of the Corporation.

2.2 Basis of Preparation

The preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Corporation'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 accounting policy statements require the following Note disclosures, that 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;

2.2 Basis of Preparation (continued)

(b) expenses incurred as a result of engaging consultants;

(c) employees whose normal remuneration is $100 000 or more (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the Corporation to those employees.

The Corporation's Income Statement, Balance Sheet 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 Cash Flow Statement has been prepared on a cash basis.

The financial report has been prepared based on a 12 month operating cycle and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2008 and the comparative information presented for the year ended 30 June 2007.

2.3 Comparative Information and Rounding

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or AAS have required a change.

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

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

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

2.4 Taxation

In accordance with TI 22, the Corporation is required to pay to the State Government an income tax equivalent. The income tax liability is based on the State Taxation Equivalent Regime, which applies the accounting profit method. This requires that the corporate income tax rate be applied to the net profit. The current income tax liability relates to the income tax expense outstanding for the current period (refer Note 8).

The Corporation 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 the 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 Balance Sheet.

Cash flows are included in the Cash Flow Statement 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 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.

2.5 Events After Balance Date

Where an event occurs after 30 June but provides information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements.

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

2.6 Income and Expenses

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Corporation 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.

2.6 Income and Expenses (continued)

The Notes accompanying the financial statements disclose income, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Transactions with SA Government entities below the threshold of $100 000 have been included with the non-government transactions, classified according to their nature.

Income

The following are specific recognition criteria:

Revenues from Sales

(i) Inventories - Land Held-for-Resale

Sales revenue in respect of land made available to the Mawson Lakes Joint Venture is brought to account when settlement occurs on individual allotments, on the basis of a percentage of gross sales revenue as specified in the Mawson Lakes Joint Venture Agreement.

With respect to all other land sales, recognition of sales revenue occurs when settlements are completed and legal title has transferred to purchasers.

(ii) Work In Progress - Construction Projects Held-for-Resale

Sales revenue for construction projects is recognised when settlement occurs and legal title transfers to the purchaser.

For construction projects which are the subject of a deferred purchase agreement, sales revenue is recognised at the commencement of the agreement (which coincides with expiration of the 12 month building defects liability period), however title to the property does not transfer to the purchaser until the deferred purchase agreement has been paid out in full.

Construction projects held for resale are recognised at cost (refer Note 2.10(ii)).

Property Income

Property income arising on investment properties is accounted for on a straight-line basis over the lease term.

Interest Income

Interest revenue includes interest received on bank term deposits, interest from investments, interest from mortgage debtors, and other interest received. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Joint Venture Income

Joint venture income is recognised when the right to receive payment is established.

Revenues from the SA Government

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

Government grants relating to costs are deferred and recognised in the Income Statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are recognised as deferred income and are credited to the Income Statement on a straight-line basis over the expected lives of the related assets.

Where money has been received in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the authority and the funding is recorded as contributed equity.

Other Revenue

Other revenue is derived from the provision of goods and services to the public and other SA Government agencies. This revenue is recognised upon delivery of the service or by reference to the stage of completion and is brought to account when earned.

Other Contributions

All contributions from non-government entities are recognised as income when the Corporation obtains control of the contribution or the right to receive the contribution and the income recognition criteria are met.

Disposal of Non-Current Assets and Financial Assets

Income from the disposal of non-current assets and financial assets is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds with carrying amount. When revalued non-current assets are sold, the revaluation increments are transferred to retained earnings.

Expenses

The following are specific recognition criteria:

Employee Benefits

Employee benefits expense includes all cost related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

Superannuation
The amount charged to the Income Statement represents the contributions made by the Corporation to the superannuation plan in respect of services provided by staff employed by the Corporation during the reporting period. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government financial statements.

Administration and Operating/Other Expenditures
Supplies and services generally represent day-to-day running costs, including maintenance costs, incurred in the normal operations of the Corporation. These items are recognised as an expense in the reporting period in which they are incurred.

Cost of Sales
Cost of sales comprises all direct costs of acquisition, planning, development and construction in respect of inventory sold during the reporting period. The carrying amount of any inventory held for sale is expensed as a cost of sale when settlement occurs.

Project Expenditure
Costs associated with projects are capitalised where it is expected that future economic benefits will be derived by the Corporation so as to recover those capitalised costs. Project costs are expensed where it is expected that the costs incurred will not be recovered.

Borrowing Costs
Borrowing costs are expensed in the reporting period in which they are incurred, except to the extent that they are directly attributable to the construction of a qualifying asset in which case they are capitalised as part of the cost of that asset in accordance with AASB 123. Borrowing costs include:

- interest on short-term and long-term borrowings;
- guarantee fees;
- indemnity margin.

Payments to SA Government
Payments to the SA Government include income tax equivalent and dividend.

2.7 Current and Non-Current Classification

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

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

2.8 Cash Assets

Cash assets in the Balance Sheet includes cash at bank, cash on hand, cash held in trust accounts 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 Cash Flow Statement, cash consists of cash as defined above.

Cash is measured at nominal value.

2.9 Receivables

Receivables include amounts receivable from goods and services, deferred-purchase arrangements, GST input tax credits recoverable, prepayments and other accruals.

Trade receivables arise in the normal course of selling goods and services to the public and other government agencies. Mortgage debtor receivables arise in the normal course of administering deferred-purchase agreements to the public and other government agencies. Trade and mortgage debtor 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 trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the authority will not be able to collect the debt. Bad debts are written off when identified.

2.10 Inventories

Inventories include land and other property held for sale in the ordinary course of business. It excludes depreciating assets and investment properties.

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction.

2.10 *Inventories (continued)*

The following are specific recognition criteria:

(i) *Land Held-for-Resale*

Land held-for-resale is carried at the lower of cost or net realisable value. Costs are assigned on the basis of specific identification and comprise all direct costs of acquisition, planning, development and construction. Net realisable values are determined by independent valuers on the basis of discounting expected net cash flows from holding and disposing of the land. All land inventory is classified as a non-current asset unless its value is anticipated to be realised through sale within 12 months.

At the establishment of the Corporation land inventories transferred to the Corporation were recognised at cost following prior revaluation by the transferring entities on the basis of discounted cash flows determined by independent valuers. Similar independent valuations obtained at subsequent balance dates have confirmed the appropriateness of the values for financial reporting purposes.

For the year ended 30 June 2006 the Corporation obtained an independent valuation of its entire inventory of land which resulted in certain land holdings being written down to reflect a net market or realisable value which was lower than the carrying value for the particular asset (refer Note 12). The valuation recognised that the Corporation has a planned sales strategy over an extended period of time and the valuation did not reflect any impact on value which may apply if the entire portfolio were taken to market. The valuation as at 30 June 2006 did not reflect the land development costs needed to prepare the land for sale or the market conditions which may apply at the actual time a land parcel is sold.

The Corporation has recognised land inventory within the Balance Sheet in accordance with AASB 102, however, the fair value of inventory assessed by suitably qualified valuers as at 30 June 2006 was $503.5 million. As at 30 June 2008 this value was estimated to be $479.5 million after allowing for land sales and expenditure on purchases and development since the 2006 valuation.

(ii) *Construction Projects Held-for-Resale*

Construction projects held-for-resale are recognised at cost. Costs are assigned on the basis of specific identification and comprise all direct costs of acquisition, planning, development and construction. All construction project inventory is classified as a current asset as its value is generally anticipated to be realised through sale within 12 months. Developments which are the subject of a deferred purchase agreement are classified as inventory for the duration of the building defects liability period.

During the previous reporting period the carrying value of construction projects held-for-resale was assessed by the Directors and where the carrying value differed materially from the Directors' assessment of fair value, an adjustment to the carrying value was recorded as appropriate. In determining fair value, the Directors considered general market conditions along with advice from an independent expert with knowledge of the market for the type of property under consideration.

2.11 *Other Financial Assets*

The Corporation measures financial assets and debt at historical cost.

2.12 *Investment Property*

The Corporation's investment properties consist of freehold land and buildings which are considered as having the function of an investment and therefore are regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than by the diminution in value of the building content due to passing of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the Corporation's portfolio of investment properties is stated at fair value. Gains and losses arising from changes in the fair values of investment properties are included in the Income Statement in the year in which they arise. Any gains or losses on the sale of an investment property are recognised in the Income Statement in the year of sale.

At each reporting date the carrying value of the portfolio of investment properties is assessed and where the carrying value differs materially from the assessment of fair value, an adjustment to the carrying value is recorded as appropriate. The assessment of fair value of each investment property is confirmed by annual independent valuations conducted on a rolling basis. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value have been used.

Rental income from the leasing of investment properties is recognised in the Income Statement as part of property income, on a straight-line basis over the lease term.

2.13 *Interests in Joint Venture Entities*

The Corporation's interest in joint ventures is measured by applying the equity method of accounting. The Corporation's share of the assets and liabilities of joint venture entities in which it has a participating interest is included in the Balance Sheet as Investment in Joint Venture Entities. The Corporation’s share of net profit from joint venture entities is included as revenue in the Income Statement as Share of Net Profits of Joint Venture Entities. Details of the Corporation's interests in joint venture entities are shown in Note 5.

2.14 Work in Progress

(i) Construction Projects in Progress

Expenditure associated with the construction of projects held-for-resale is capitalised as work in progress as incurred, in accordance with Note 2.6 (refer Note 16). When a project of this nature reaches practical completion (which generally coincides with the commencement of the building defects liability period), the accumulated costs are transferred from work in progress to inventory.

(ii) Deposits Received

The Corporation acts as a project manager and financier for the construction of buildings for clients under the Industrial Premises Development Scheme. Prior to the commencement of construction the client in most cases is required to pay a deposit towards the overall cost of construction. The deposit held is offset against construction projects in progress.

2.15 Impairment

All non-current tangible assets are tested for indication of impairment at each reporting date. If there is an indication of impairment, the assets carrying value is compared to its recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the Income Statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset. Refer to Note disclosures on inventories, financial assets, investment properties and assets held for sale for further information in relation to these specific assets.

2.16 Depreciation of Non-Current Assets

All non-current assets, having limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Depreciation is applied to tangible assets such as property, plant and equipment.

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

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

Land and investment properties are not depreciated.

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

	Years
Plant and equipment	5-10
Furniture and fittings	10
Computer equipment	3

2.17 Payables

Payables include creditors, accrued expenses and employment on-costs.

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

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

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

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

The Corporation 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.

2.18 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 and Sick Leave

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 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.

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

Long Service Leave
The liability for long service leave is recognised after an employee has completed 6.5 years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Corporation's experience of employee retention and leave taken.

The unconditional portion of the long service leave provision is classified as current as the Corporation does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

Employee Benefit On-Costs
Employee benefit on-costs (payroll tax, WorkCover, superannuation) are recognised separately under payables.

2.19 Borrowings/Financial Liabilities

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

2.20 Guarantees and Indemnities

The Corporation constructs and owns specialised building premises which are leased or sold to private companies under the Industrial and Commercial Premises Scheme. The construction of these buildings is financed through the use of South Australian Government Financing Authority (SAFA) loans. In some instances the outstanding loan amount in respect of construction exceeds the market value of the building. In order to address these value shortfalls, the former Industrial and Commercial Premises Corporation obtained guarantees and indemnities from the Minister for Industry and Trade for some of the arrangements entered into. The Corporation is now the beneficiary of these guarantees and indemnities.

2.21 Leases

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

Land Management Corporation as Lessor
The Corporation has not entered into any finance leases as lessor.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

Land Management Corporation as Lessee
The Corporation has not entered into any finance leases as lessee.

Operating leases are recognised as an expense in the Income Statement 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.

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

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 Balance Sheet, 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.

2.23 Insurance

The Corporation has arranged to insure all major risk of the authority through SAICORP. The excess payable under this arrangement varies depending on each class of insurance held.

2.24 Financial Risk Management

The Corporation is exposed to a variety of financial risks, market risk (foreign exchange and price), credit risk and liquidity risk.

Risk management is carried out by the corporate services section and risk management policies and practices are in accordance with Australian Risk Management Standards and internal written policies approved by the Board.

2.24 Financial Risk Management (continued)

The Corporation has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at Treasury and SAFA and mortgage debtor receivables) and liabilities (borrowings from the SA Government).

The Corporation's exposure to foreign exchange risk and cash flow interest risk is minimal. The Corporation is exposed to price risk for changes in interest rates that relate to long-term debt obligations and investments classified either as available-for-sale or fair value.

The Corporation has no significant concentration of credit risk. The Corporation has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

In relation to liquidity/funding risk, the continued existence of the Corporation in its present form, and with its present segments/services, is dependent on SA Government policy and on prevailing conditions in the property market, and on continuing appropriations from Parliament to maintain the Corporation's community service obligations.

Refer Note 26.

2.25 Material Transactions

Capital Contribution - Possible Purchase of Mitsubishi Motors Site
During 2007-08 the Corporation received contributed capital of $35 million, which was held as cash at 30 June 2008, from the Department of Treasury and Finance. The capital was received to enable the Corporation to purchase the Mitsubishi Motors site at Tonsley Park on behalf of the SA Government, if approved by the Government.

Completion and Sale of Industrial and Commercial Property
The Government entered an agreement to build a new production facility for Inghams at Edinburgh Parks in 2005-06. During 2007-08 the facility was completed and occupied by the company. The cost of constructing the facility over the past two years was charged to work in progress and on completion was transferred to inventory. When occupied the property was sold to the company with the purchase being funded with a loan from the Corporation which is recognised as a mortgage debtor receivable at 30 June 2008. Following the sale the proceeds were recognised as sales income and the cost of the property was transferred from inventory to cost of sales.

Land Sales - Provision for Future Development Obligations
An amount has been set aside to meet future development obligations in respect of land which has been sold or developed ready for sale. Provisions are recognised when the Corporation has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. During 2007-08 the Corporation sold 52.56 hectares of englobo land north of Petherton Road by way of open tender which set out certain obligations on both the Corporation and the successful tenderer. As a result the Corporation has recognised a provision for development expenditure of $6.022 million. The Corporation also recognised a provision of $3.332 million to complete allotments sold at Lochiel Park.

3. Profit

	2008	2007
(a) Profit before income tax equivalent has been determined after:	**$'000**	$'000
(i) Crediting as Income		
Interest Received or Receivable on:		
Cash balances	**2 146**	625
Mortgage debtors	**4 854**	2 608
Net gain on disposal of plant and equipment	**308**	278
(ii) Charging as Expenses		
Property Expenditure consisting of:		
Building and general repairs and maintenance	**1 326**	1 207
Building services	**317**	279
Cleaning	**269**	244
Commissions and agent's fees	**556**	212
Emergency services levy	**169**	191
Energy	**565**	419
Legal fees	**744**	638
Local Government rate equivalent	**492**	305
Management and administration	**364**	426
Marketing and signage expenses	**213**	121
Stamp duty	**426**	79
Statutory charges	**1 300**	930
Survey fees	**99**	54
Valuation fees	**195**	178
Other expenditure	**506**	615
Borrowing Costs consisting of:		
Borrowing costs	**8 155**	4 919
Guarantee fees	**259**	109
Indemnity margin	**-**	11

	2008	2007
(ii) Charging as Expenses (continued)	**2008**	2007
Administration and Operating Expenditure consisting of:	**$'000**	$'000
Advertising, displays, brochures, promotion and printing	**523**	447
Audit fees, internal and external	**404**	219
Computing	**285**	282
Conferences, seminars and training	**176**	143
Graphic design	**275**	-
Insurance	**194**	187
Legal fees	**575**	435
Public relations, marketing, events and sponsorship	**809**	793
Repairs and maintenance	**565**	60
Temporary staff costs	**227**	107
Other expenditure	**1 019**	984

(b) Profit before income tax equivalent has been determined after charging as expenses the following supplies and services provided by entities within the SA Government:

Land tax	**10 365**	8 526
Property expenditure consisting of:		
Legal fees	**267**	-
Local Government rate equivalent	**305**	195
Statutory charges	**356**	320
Other expenditure	**21**	2
Contractors and consultants	**102**	131
Accommodation	**438**	353
Borrowing costs	**8 414**	5 039
Administration and operating expenditure consisting of:		
Audit fees, internal and external	**67**	104
Computing	**34**	116
Insurance	**178**	169
Legal fees	**303**	20
Other expenditure	**214**	204
Total Supplies and Services provided by Entities within the SA Government	**21 064**	15 179

4. Revenue

(a) Sales Revenue

Sales revenue comprises revenue earned from the sale of land for residential, commercial and community purposes, including land made available for joint venture developments at Mawson Lakes (refer Note 5).

Sales revenue for the reporting period is summarised as follows:	**2008**	2007
Land Sales to:	**$'000**	$'000
Joint ventures	**3 816**	3 520
Entities within SA Government	**32 311**	22 709
Other	**161 789**	30 746
Total Sales Revenue	**197 916**	56 975

(b) Other Revenue

Other revenue comprises:

Revenue received/receivable from Entities within the SA Government:		
Interest received	**2 002**	756
Rent and other property income received	**4**	465
Revenues from government (refer Note 6)	**6 953**	16 619
Recoveries and sundry income	**1 292**	310
Total Other Revenue from SA Government Entities	**10 251**	18 150
Revenue received/receivable from Entities External to the SA Government:		
Interest received	**4 998**	2 477
Rent and other property income received	**13 186**	12 625
Share of net profit of joint venture entities (refer Note 5)	**10 903**	10 382
Recoveries and sundry income	**1 939**	1 522
	31 026	27 006
Add: Gain resulting from change in fair value of investment properties	**2 982**	394
Total Other Revenue from Entities external to the SA Government	**34 008**	27 400
Total Other Revenue	**44 259**	45 550

5. Joint Venture Entities

5.1 Joint Venture Summary

Income from joint venture entities of $10 903 000 for the reporting period comprises the Corporation's share of the profit from ordinary activities of joint venture entities in which the Corporation has a participating interest, summarised as follows:

	2008 $'000	2007 $'000
Revenues	**31 462**	29 336
Expenses	**(20 559)**	(18 954)
Profit from Ordinary Activities	**10 903**	10 382

Movements in the Corporation's investment in joint venture entities during the reporting period are summarised as follows:

	2008 $'000	2007 $'000
Capital Contributions and Acquisition of Additional Interest:		
Balance at 1 July	**1 416**	183
Contributions during the reporting period	**3 700**	4 808
Repayments during the reporting period	**(1 250)**	(3 575)
Balance at 30 June	**3 866**	1 416
Share of Accumulated Profits:		
Balance at 1 July	**18 408**	21 676
Profit for the reporting period	**10 903**	10 382
Distribution of profit to the Corporation during the reporting period	**(15 250)**	(13 650)
Balance at 30 June	**14 061**	18 408
Total Carrying Amount of Investment in Joint Venture Entities	**17 927**	19 824

The Corporation's investment in joint venture entities is represented by its share of assets and liabilities as follows:

	2008 $'000	2007 $'000
Current Assets:		
Cash	**3 056**	3 429
Receivables	**1 240**	2 633
Inventories	**15 455**	7 621
Development property	**698**	7 106
Prepayments	**6**	25
	20 455	20 814
Non-Current Assets:		
Inventories	**2 836**	3 295
Property, plant and equipment	**340**	515
	3 176	3 810
Total Assets	**23 631**	24 624
Current Liabilities:		
Creditors and other payables	**5 374**	4 278
Non-interest bearing liabilities	**195**	42
Interest bearing liabilities	**74**	-
Tax liabilities	**54**	-
	5 697	4 320
Non-Current Liabilities:		
Non-interest bearing liabilities	**-**	480
Deferred tax liabilities	**7**	-
	7	480
Total Liabilities	**5 704**	4 800
Net Assets	**17 927**	19 824

5.2 Northfield Stage 3 Joint Venture

On 31 July 2006 documentation was executed with CIC Northgate Pty Ltd, a wholly-owned subsidiary of Canberra Investment Corporation Limited, to establish a joint venture to develop the land subdivision component of Precinct One at Northgate Stage 3. The project primarily comprises the subdivision and sale of residential allotments and integrated housing sites together with the development of reserves and associated community facilities. The project is required to achieve a number of Paramount Development Objectives established by the Government, including the provision of a wide diversity of housing allotments and 15 percent of sites for high-needs and affordable housing.

The Corporation has a 50 percent interest in the joint venture. Under the terms of the agreements for the joint venture, the Corporation will make available to the joint venture the land for development and receive progressive land payments as development proceeds. The joint venture has a forecast six year timeframe.

5.3 Mawson Lakes Economic Development Project

On 10 July 1997 documentation was executed with Delfin Property Group Limited (now Delfin Mawson Lakes Pty Ltd), Lend Lease Corporation Limited (now Lend Lease Development Pty Ltd) and associated entities of those companies to establish a joint venture to develop the Mawson Lakes Economic Development Project at The Levels. This project comprises residential, retail and industrial accommodation to be developed over a 10 to 12 year timeframe. Other parties with commitments to the joint venture arrangements are the City of Salisbury, University of South Australia and the Government of South Australia.

The Corporation has a 50 percent interest in the joint venture. Under the terms of the agreements for the joint venture, the Corporation will make available to the joint venture land for development. In addition the State Government has obligations for various infrastructure works associated with the project.

5.4 Empak Homes Joint Venture

The Corporation has a 50 percent interest in a joint venture with Mt Gambier developer/builder, Empak Homes. This involves the development of land at Bates Lane at Naracoorte and the creation of 31 residential allotments with the aim of providing affordable housing in the area. The land was acquired by the Corporation in June 2005 to be developed in two stages. Stage 1 was completed in July 2006 and 3 display homes funded by the Joint Venture were completed in October 2006. Stage 2 was to be released when approximately 75 percent of Stage 1 was sold.

Despite ongoing marketing of Stage 1, sales to date have been slower than expected and only 8 contracts have been signed including the 3 display homes. The Joint Venture Committee has resolved to wind up the joint venture as soon as practically possible due to the prevailing market conditions which provide little prospect for completion of Stage 2 as originally planned.

5.5 SOHO Joint Venture

The Corporation has a 50 percent interest in a joint venture with Holcon Australia Pty Ltd. This involves the environmentally sustainable, mixed use development of a parcel of lakefront land in Technology Park. The project will create 13 waterfront SOHO (small office home office) homes and 10 commercial offices over six stages with an anticipated timeframe of approximately three years. Under the terms of the Joint Venture Agreement, the Corporation will provide the land for development and receive progressive land payments as development proceeds.

The first stage is completed and two offices and one of two dwellings have been sold. Construction of Stage 2 has commenced with completion planned for early calendar year 2009.

5.6 PAWR Marina Joint Venture

The Corporation has a 50 percent interest in a joint venture with Newport Quays Consortium, the developers of the Port Adelaide Waterfront Redevelopment (PAWR). The Newport Quays Consortium comprises developers Urban Construct Pty Limited and Brookfield Multiplex Developments Australia Pty Limited. The PAWR Marina Joint Venture involves the construction of approximately 600 marina berths in the Port Adelaide inner harbour to be staged with the land-based development over the next 10-13 years.

Marina berths are being offered under leasehold arrangements, with the Corporation retaining ownership of the inner harbour (subjacent land). The Corporation will enter into lease arrangements with marina companies (representing berth holders) that will place obligations on lessees to procure the services of competent marina managers and achieve appropriate environmental standards in the management of the marinas. The marinas will be subject to statutory planning processes and regulatory requirements as with any other form of development. The Corporation will receive revenue by way of land payments for the subjacent land and individual marina berth sales.

6. Revenues from Government

	2008	2007
Government transfers/subsidies received during the reporting period are as follows:	**$'000**	$'000
Land tax transfer received from Department of Treasury and Finance, Administered items [(a)]	**-**	6 750
Recurrent transfer received from Department of Treasury and Finance, Administered items	**5 535**	5 962
Capital transfer received from Department of Treasury and Finance, Administered items	**615**	3 131
State Government subsidies	**803**	776
	6 953	16 619

(a) The land tax subsidy ceased with implementation of an ownership framework for a public non-financial corporation.

7. Bad and Doubtful Debts Expense

	2008	2007
Transfer to Provision for Doubtful Debts:		
Trade debtors	**(6)**	-
Total Bad and Doubtful Debts Expense	**(6)**	-

7. Bad and Doubtful Debts Expense (continued)

The provision for doubtful debts (provision for impairment loss) is recognised when there is objective evidence that a receivable is impaired. A provision for impairment loss has been recognised in 'other expenses' in the Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

8. Income Tax Equivalents

In accordance with TIs issued under the PFAA, the Corporation is required to pay to the State Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate (presently 30 percent) be applied to the profit for the reporting period. The income tax equivalent paid or payable for the reporting period was $36 315 000 ($17 044 000).

	2008 $'000	2007 $'000
Income tax equivalent paid in respect of the profit for the reporting period	**18 355**	8 500
Provision for income tax equivalent in respect of the profit for the reporting period (refer Note 19)	**17 960**	8 544
Total Income Tax Equivalent Expense per the Income Statement	**36 315**	17 044

The total income tax equivalent paid during the reporting period was as follows:

	2008 $'000	2007 $'000
Income tax equivalent paid in respect of the profit for the reporting period	**18 355**	8 500
Balance of income tax equivalent paid in respect of the previous reporting period	**8 544**	12 356
Total Income Tax Equivalent paid per the Cash Flow Statement	**26 899**	20 856

9. Dividends

Pursuant to Regulations under the PCA, the Corporation may be required to pay dividends to the Treasurer. Following recommendations by the Board, and after consultation with the Minister, the Treasurer determined that total dividends of $61 355 000 ($36 439 000) be paid in respect of the reporting period.

10. Mortgage Debtor Receivables

	2008 $'000	2007 $'000
Current:		
Mortgage debtor receivables	**6 182**	2 835
	6 182	2 835
Non-Current:		
Mortgage debtor receivables	**59 822**	16 601
	59 822	16 601
Total Mortgage Debtor Receivables	**66 004**	19 436

11. Other Receivables

	2008	2007
Current:		
Trade and other debtors[(a)]	**6 712**	1 646
Allowance for doubtful debts	**(3)**	(9)
Total Trade and Other Debtors	**6 169**	1 637

(a) Included in this balance are receivables from SA Government entities totalling $898 000 ($400 000).

Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

Maturity Analysis of Receivables

Refer to Note 26.

Categorisation of Financial Instruments and Risk Exposure Information

Refer to Note 26.

12. Inventories

	2008 $'000	2007 $'000
Current:		
Cost of acquisition	**3 495**	3 636
Development cost capitalised	**14 333**	17 593
	17 828	21 229
Non-Current:		
Cost of acquisition	**39 143**	33 511
Development cost capitalised	**51 053**	29 355
	90 196	62 866
Total Inventories	**108 024**	84 095

13. Prepayments

	2008	2007
Current:	**$'000**	$'000
Prepayments	**31**	45
Total Prepayments	**31**	45

14. Investment Property

Investment Property at Fair Value:		
Freehold land at fair value:		
Independent valuation - 2007	**-**	30 985
Independent valuation - 2008	**26 890**	-
	26 890	30 985
Buildings at Fair Value:		
Independent valuation - 2007	**-**	56 300
Independent valuation - 2008	**56 625**	-
	56 625	56 300
Total Investment Property	**83 515**	87 285

Movements in Carrying Amounts

Freehold Land at Fair Value:		
Carrying amount at 1 July	**30 985**	23 511
Additions	**-**	5 900
Disposals	**(6 875)**	-
Gain on revaluation	**2 780**	1 574
Carrying Amount at 30 June	**26 890**	30 985
Buildings at Fair Value:		
Carrying amount at 1 July	**56 300**	54 900
Additions	**123**	2 580
Gain (Loss) on revaluation	**202**	(1 180)
Carrying Amount at 30 June	**56 625**	56 300
Total Carrying Amount at 30 June	**83 515**	87 285

Amounts Recognised in Profit and Loss:		
Rental Income	**12 078**	11 162
Direct operating expenses from property that generated rental income	**(5 180)**	(3 725)
Direct operating expenses from property that did not generate rental income	**(17)**	(14)
Total Amount recognised in the Profit and Loss	**6 881**	7 423

Valuation Basis

Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in arm's length transactions, based on current prices in an active market for similar property. The valuations of investment properties have been performed by a panel of independent qualified valuers.

15. Plant and Equipment

	2008	2007
Plant and Equipment:	**$'000**	$'000
At cost	**3 934**	3 860
Less: Accumulated depreciation	**2 925**	2 553
Total Plant and Equipment	**1 009**	1 307

Movements in Carrying Amounts

Plant and Equipment:		
Carrying amount at 1 July	**1 307**	1 493
Additions	**75**	199
Depreciation	**(373)**	(385)
Total Carrying Amount at 30 June	**1 009**	1 307

16. Work in Progress

Movements in Carrying Amounts

Carrying amount at 1 July	**36 224**	200
Additions	**20 414**	36 024
Capitalised interest	**261**	-
Transferred to inventory	**(46 770)**	-
Carrying Amount at 30 June	**10 129**	36 224
Consists of:		
Construction projects in progress	**10 129**	36 224
Total Construction Projects in Progress	**10 129**	36 224

17. Payables

	2008	2007
Current:	**$'000**	$'000
Trade creditors	**3 521**	4 223
Sundry creditors and accrued expenses	**27 380**	23 153
	30 901	27 376
Non-Current:		
Non-interest bearing loan - Department of Trade and Economic Development	**500**	500
Sundry creditors and accrued expenses	**93**	92
	593	592
Total Payables	**31 493**	27 968

The total includes liabilities payable to SA Government entities, comprising:

Current:		
Trade creditors	**176**	74
Sundry creditors and accrued expenses	**20 254**	17 771
	20 430	17 845
Non-Current:		
Non-interest bearing loan - Department of Trade and Economic Development	**500**	500
Sundry creditors and accrued expenses	**58**	53
	558	553
Total Payables to SA Government Entities	**20 988**	18 398

Interest Rate and Credit Risk

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

Maturity Analysis of Payables

Refer to table in Note 26.

Categorisation of Financial Instruments and Risk Exposure Information

Refer to table in Note 26.

18. Interest-Bearing Liabilities

	2008	2007
Current:	**$'000**	$'000
Loans - SAFA[(a)]	**27 358**	50 989
Loans - SAFA[(b)]	**8 800**	29 000
	36 158	79 989
Non-Current:		
Loans - SAFA[(a)]	**72 856**	35 158
Loans - SAFA[(b)]	**9 600**	9 730
	82 456	44 888
Total Interest-Bearing Liabilities	**118 614**	124 877

(a) Comprises borrowings from the SAFA in respect of funding for industrial and commercial construction projects under the Industrial and Commercial Premises Development Scheme.

(b) Comprises borrowings from SAFA in respect of other activities of the Corporation.

Maturity Analysis of Borrowings

Refer to Note 26.

Nature and Extent of Risk Arising from Borrowings

Refer Note 26.

Defaults and Breaches

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

19. Tax Liabilities

Current:		
Income tax equivalent	**17 960**	8 544
Total Tax Liabilities	**17 960**	8 544

20. Employee Benefits

20.1 Total Employee Benefits

Current:		
Accrued wages and salaries	**166**	117
Annual leave	**458**	427
Long service leave	**40**	40
	664	584
Non-Current:		
Long service leave	**974**	876
	974	876
Total Employee Benefits	**1 638**	1 460

20.2 Aggregate Employee Benefits and Related On-Costs	Note	**2008**	2007
		$'000	$'000
Accrued wages and salaries		**166**	117
Accrued superannuation		**13**	9
		179	126
Annual Leave - Current:			
Liability for employee benefits		**458**	427
On-costs included in payables	17	**37**	38
		495	465
Long Service Leave - Current:			
Liability for employee benefits		**40**	40
On-costs included in payables	17	**4**	4
		44	44
Long Service Leave - Non-Current:			
Liability for employee benefits		**974**	876
On-costs included in payables	17	**89**	88
		1 063	964
Aggregate Employee Benefits and Related On-Costs		**1 781**	1 599

21. Unrecognised Contractual Commitments - Operating Leases

Operating Lease Receivables

Future minimum rental revenues under non-cancellable operating property leases held at balance date but not provided in the accounts:

Due not later than one year	**6 821**	11 128
Due later than one year but not later than five years	**12 233**	10 583
Due later than five years	**14 660**	5 719
Total Operating Lease Receivables	**33 714**	27 430

Operating Lease Payables

Non-cancellable operating leases contracted for at balance date but not provided in the accounts, net of GST:

Payable not later than one year	**556**	428
Payable later than one year but not later than five years	**518**	744
Payable later than five years	**5**	-
Total Operating Lease Payables	**1 079**	1 172

These amounts comprise a property lease and leases for motor vehicles. The property leases are non-cancellable and will expire on 30 June 2010, with rent payable monthly in advance. Motor vehicles are leased over varying terms up to three years.

22. Unrecognised Contractual Commitments - Capital Expenditure

Capital Expenditure Commitments arising from General Operations

At reporting date the Corporation had capital expenditure commitments from general operations as follows:

	2008	2007
	$'000	$'000
Payable not later than one year	**12 601**	42 446
Payable later than one year but not later than five years	**3 182**	1 087
	15 783	43 533

The decrease in capital expenditure commitments is the result of the Corporation completing construction of the Inghams and Bio Innovation projects. As at 30 June 2007 commitments relating to the Inghams project were estimated to be $22 721 000 and $9 134 000 was committed in relation to the Bio Innovation project.

Estimates of additional commitments in respect of the Edinburgh Parks acquisition are detailed below and are not included in the above amounts.

Capital Expenditure Commitments arising from Edinburgh Parks Acquisition

On 10 May 2004 Cabinet approved the transfer of the management of the land known collectively as Edinburgh Parks to Land Management Corporation, from the Department of Trade and Economic Development (DTED), to be exercised in stages and effective from 1 July 2004. At balance date commitments for the purchase are summarised as follows:

Stage 0 Land and Buildings

The Corporation has an amount due and payable to DTED of $8 854 000 as part of ongoing contractual arrangements. This amount is included in the total of accrued expenses in the financial statements (refer Note 17). In addition an amount may be payable to DTED, representing 25 percent of the net profit arising from completion of the development and sale of Stage 0. At balance date, this amount is estimated to be $2 535 900 ($nil).

Stages 1 and 3
Assets included in Stages 1 and 3 have been acquired by the Corporation on a deferred payment basis. Payments are made to DTED and the Commonwealth Department of Defence based on the land area sold.

Expenditure commitments are summarised below, subject to the sale of remaining allotments.

	2008	2007
Stages 1 and 3 Land:	$'000	$'000
Payable not later than one year	499	4 216
Payable later than one year but not later than five years	9 269	5 552
	9 768	9 768

Stage 2 had previously been completed by DTED.

Stages 4 Onwards
On 1 June 2005, a further 505.6 hectares was acquired from the Commonwealth. Commitments for the purchase of this land, based on current sales forecasts, are summarised below:

	2008	2007
Stage 4 Onwards Land:	$'000	$'000
Payable not later than one year	363	829
Payable later than one year but not later than five years	2 224	5 130
Payable later than five years	1 522	1 712
	4 109	7 671

Other Expenditure Commitments in respect of Edinburgh Parks
Other expenditure commitments at balance date were $3 848 000 payable within 12 months ($2 126 000), and $17 000 payable within 2-5 years ($nil).

Capital Expenditure Commitments arising from the Port Adelaide Waterfront Redevelopment Project
Under the Project Development Agreement for the Port Adelaide Waterfront Redevelopment project, the Corporation may be required to pay up to $37 323 274 in remediation costs, with each precinct required to be remediated before its agreed construction commencement date. Remediation for precincts 1 and 2A had been completed by 30 June 2008. Precinct 2B works were underway at 30 June 2008, the value of which is included in the above table of capital expenditure commitments.

Remaining payments under this commitment are anticipated to total $14 220 000 payable by January 2010. These amounts have not been included in the above table.

23. Contingent Assets and Liabilities

Contingent Assets
The Corporation has indemnities from the DTED relating to various Industry Assistance packages totalling $8 486 000 as at 30 June 2008 ($11 200 000 as at 30 June 2007). These indemnities relate to purpose-built facilities constructed under the Industrial and Commercial Premises Scheme and are provided as follows:

(i) In respect of properties owned by the Corporation and leased to tenants, the indemnity covers any shortfall between current valuation and historical cost.

(ii) In respect of properties that are subject to a deferred purchase arrangement, the indemnity covers any shortfall between current valuation and loan balance outstanding.

As at 30 June 2008, the Corporation has other contingent assets related to land acquisitions.

Contingent Liabilities

	2008	2007
Mawson Lakes Joint Venture (refer Note 5.3)		
Indemnity for letter of guarantee in favour of Local and State Government Authorities.	$'000	$'000
The maximum liability amounts to $5 389 000 ($6 258 000).		
The Corporation's contingent liability in respect of this amount is 50 percent	2 695	3 129

Port Adelaide Waterfront Redevelopment Project
Pursuant to the Port Adelaide Waterfront Redevelopment Project Development Agreement of October 2004, the Corporation has provided an initial performance bond of $5 million, issued by SAFA in favour of Multiplex Port Adelaide Pty Ltd and UCPA Waterfront Development Pty Ltd as the development consortium members. The guarantee was issued on 30 November 2004 with an expiry date of 28 February 2015, and is progressively reduced in $1 million decrements over the development period proportionate to the remaining precincts to be developed.

The performance bond is part of mutual obligations as security for:

(i) the performance by LMC and the development consortium of their respective obligations pursuant to the Agreement;

(ii) the liability of either party upon termination pursuant to the Agreement.

Other
The Corporation has other contingent liabilities arising from its contractual arrangements. These were not considered to be material at balance date.

24. Cash Flows Reconciliation

	2008	2007
Reconciliation of Cash and Cash Equivalents:	**$'000**	$'000
Cash Flow Statement	**53 478**	16 878
Balance Sheet	**53 478**	16 878

Reconciliation of Net Profit to Net Cash provided by (used in) Operating Activities

Net profit for the year	**84 736**	39 766
Add (Less): Non-cash items:		
Share of net profits of joint venture entities	**(10 903)**	(10 382)
Depreciation	**373**	385
Provision for long service leave	**98**	308
Accrued wages and salaries expenditure	**167**	-
Provision for development expenditure	**10 196**	-
Unearned income	**3 614**	-
Provision for annual leave	**31**	-
Provision for doubtful debts	**(6)**	-
Revaluation increments	**(2 982)**	(394)
Changes in assets and liabilities:		
(Increase) Decrease in mortgage receivables	**(46 568)**	2 436
(Increase) Decrease in other receivables	**(4 534)**	1 040
Decrease (Increase) in prepayments	**14**	(4)
Decrease (Increase) in work in progress	**35 770**	(36 108)
Increase in inventories	**(23 928)**	(22 963)
Increase in payables	**3 599**	4 100
Bad Debt write-off against provision for doubtful debts	**-**	(1 172)
Movement in income tax equivalent payable	**9 416**	(3 812)
Net Cash used in Operating Activities	**(59 093)**	(26 800)

25. Cash Assets

Deposits with the Treasurer	**51 849**	13 471
Short-term deposits with SAFA	**1 116**	-
Cash held in Crown Solicitors Trust Account	**-**	3 070
Cash in trust, at bank and on hand	**513**	337
Cash shown in the Balance Sheet and Cash Flow Statement	**53 478**	16 878

Deposits with the Treasurer

Includes funds held in the Corporation's Operating Account.

Short-term Deposits

Short-term deposits are made for varying periods of between one day and three months, are lodged with SAFA and earn the respective short-term deposit rates.

Interest Rate Risk

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

26. Financial Instruments Disclosure/Financial Risk Management

26.1 Categorisation of Financial Instruments

The net fair value of cash, trade debtors and payables approximates their carrying amount.

The net fair value of receivables and payables excluding trade debtors and creditors has been calculated by discounting cash flows using a zero coupon curve derived from observable rates in the financial markets. The resultant net fair values represent the best estimate of replacement cost. Management consider the cost of realising fair values as immaterial. Furthermore, management consider that all financial instruments cannot be readily traded on organised markets in standardised form.

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

	2008		2007	
	Carrying Amount	**Net Fair Value**	Carrying Amount	Net Fair Value
Financial Assets	**$'000**	**$'000**	$'000	$'000
Cash assets	**53 478**	**53 478**	16 878	16 878
Trade and other debtors	**6 172**	**6 172**	1 646	1 646
Mortgage debtors	**66 004**	**48 045**	19 436	15 468
Provision for doubtful debts	**(3)**	**(3)**	(9)	(9)
Total Financial Assets	**125 651**	**107 692**	37 951	33 983
Financial Liabilities				
Payables	**31 495**	**31 495**	27 968	27 968
SAFA loans	**118 614**	**116 263**	124 877	114 389
Total Financial Liabilities	**150 109**	**147 758**	152 845	142 357
Net Financial Assets (Liabilities)	**(24 458)**	**(40 066)**	(114 894)	(108 374)

26.2 Credit Risk

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

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

26.3 Ageing Analysis of Financial Assets

	Past Due By			
2008	**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	**161**	**27**	**60**	**248**
Impaired:				
Receivables	**-**	**1**	**2**	**3**
2007				
Not Impaired:				
Receivables	789	197	129	1 115
Impaired:				
Receivables	-	-	9	9

26.4 Maturity Analysis of Financial Assets and Liabilities

	Contractual Maturity			
2008	**Carrying Amount $'000**	**Less than 1 Year $'000**	**1-5 Years $'000**	**More than 5 Years $'000**
Financial Assets:				
Cash assets	**53 478**	**53 478**	**-**	**-**
Trade and other debtors	**6 172**	**6 172**	**-**	**-**
Mortgage debtors	**66 004**	**6 182**	**29 508**	**30 314**
Provision for doubtful debts	**(3)**	**(3)**	**-**	**-**
Total Financial Assets	**125 651**	**65 829**	**29 508**	**30 314**
Financial Liabilities:				
Payables	**31 494**	**30 901**	**93**	**500**
SAFA loans	**118 614**	**36 158**	**34 759**	**47 697**
Total Financial Liabilities	**150 108**	**67 059**	**34 852**	**48 197**
Net Financial Assets (Liabilities)	**(24 457)**	**(1 230)**	**(5 344)**	**(17 883)**
2007				
Financial Assets:				
Cash assets	16 878	16 878	-	-
Trade and other debtors	1 646	1 646	-	-
Mortgage debtors	19 436	2 835	9 921	6 680
Provision for doubtful debts	(9)	(9)	-	-
Total Financial Assets	37 951	21 350	9 921	6 680
Financial Liabilities:				
Payables	27 968	27 376	92	500
SAFA loans	124 877	80 119	10 598	34 160
Total Financial Liabilities	152 845	107 495	10 690	34 660
Net Financial Assets (Liabilities)	(114 894)	(86 145)	(769)	(27 980)

27. Employees' Remuneration

(a) Total Employee Benefit Expense	**2008 $'000**	2007 $'000
Salaries and wages	**6 831**	5 870
Long service leave	**101**	135
Annual leave	**20**	116
Employment on-costs - Superannuation	**1 132**	909
Employment on-costs - Other	**547**	517
Board fees	**68**	72
Other employee related expenses	**142**	119
Total Employee Benefit Expense per the Income Statement	**8 841**	7 738

No employees were paid TVPSs during the reporting period.

(b) Remuneration of Employees

Remuneration is inclusive of superannuation, motor vehicle and other employee benefits, together with associated FBT.

The number of employees whose remuneration from the Corporation was within the following bands were:	**2008 Number of Employees**	2007 Number of Employees
$100 001 - $110 000	**3**	4
$110 001 - $120 000	**7**	2
$120 001 - $130 000	**2**	3
$130 001 - $140 000	**3**	2
$140 001 - $150 000	**2**	1
$150 001 - $160 000	**3**	5
$160 001 - $170 000	**1**	2
$170 001 - $180 000	**1**	-
$180 001 - $190 000	**2**	
$260 001 - $270 000	**1**	1
	25	20

Total income received or due and receivable by the above employees for the period they held office was $3.49 million ($2.82 million).

The number of employees at the reporting date was 93 (89).

(c) 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:

	2008 $'000	2007 $'000
Within one year	**6 396**	5 086
Later than one year but not longer than five years	**6 875**	4 467
	13 271	9 553

28. Key Management Personnel

28.1 Board Members

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

M J Terlet AO, Chairman
J M Carr (appointed 18 February 2008)
B M Deed
D W Gray
L Hart
R G Hook
A Maddern
P J Martin (resigned 1 December 2007)

28.2 Other Key Management Personnel

The following persons held authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly during the current and previous financial years:

W Gibbings	Chief Executive
J S Blaess	General Manager - Projects
M J Buchan	Chief Financial Officer and General Manager - Corporate Affairs
J B Danks	General Manager - Property Services (resigned 29 February 2008)
D C Litchfield	General Manager - Projects
A E Rix	General Manager - Strategic Planning and Business Development
D M Ryan	General Manager - Corporate Services (until 29 February 2008)
W J Stuart	General Manager - Projects

28.3 Key Management Personnel Compensation

Key management personnel compensation for the years ended 30 June 2008 and 2007 is set out below.

The key management personnel are the governing board members and the senior management team (including the Chief Executive) who have responsibility for the strategic direction and management of the Corporation.

	2008 $'000	2007 $'000
Short-term employee benefits	**1 559**	1 477
Long-term employee benefits	**17**	8
	1 576	1 485

28.4 Remuneration of Governing Board Members

The number of governing Board Members whose remuneration from the Corporation was within the following bands were:	**2008 Number**	2007 Number
$0	**3**	3
$20 001 - $30 000	**3**	3
$50 001 - $60 000	**1**	1

28.4 Remuneration of Governing Board Members (continued)

Total income received or due and receivable by all Directors of the Corporation for the period they held office was $132 000 ($131 000), including fees received by one Director in relation to the appointment to the Mawson Lakes Joint Venture Committee. No additional remuneration was paid to any Director in respect of their membership of a Board Committee.

In accordance with the Department of Premier and Cabinet Circular 16, government employees did not receive any remuneration for governing board duties during the financial year.

The number of Directors who held office at 30 June 2008 was 7 (7).

29. Auditor's Remuneration

	2008	2007
	$'000	$'000
Audit fees paid or payable to the Auditor-General's Department	**139**	110
Total Auditor's Remuneration	**139**	110

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

30. External Consultants

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

	2008		2007	
	Number	$'000	Number	$'000
Below $10 000	**59**	**256**	24	56
Between $10 000 and $50 000	**34**	**613**	21	521
Above $50 000	**9**	**885**	6	1 071
Total Recognised in the Income Statement	**102**	**1 754**	51	1 648

31. Related Party Disclosure

Directors

Details of the Directors of the Corporation appointed in accordance with the Regulations under the PCA are set out in Note 28.1.

During the period of their appointment to the Corporation the Directors disclosed the following:

Mr M J Terlet AO was Chairman of the International Wine Investment Fund, United Water International, the ACHA Health Group, the Water Industry Alliance, the National Institute of Labour Studies, the International Centre of Excellence in Water Research Management and the Governor's Leadership Foundation. He was Director and Chairman of Tidswell Financial Services Ltd. He was a Director of E & A Limited and The University Senior College. He was a board member of Business SA and Operation Flinders. He was a Director of the Australian Submarine Corporation and a Co-Chairman of the SA Business and Parliamentary Trust.

Ms M J Carr was Executive Director, Building Management, Department for Transport, Energy and Infrastructure and a Board Member of the Architects Board of South Australia and the State Procurement Board.

Ms B M Deed was General Manager of retail business The Heart Shop, Chairman of the Australian Red Cross SA Divisional Board and Chairman of Healthage Pty Ltd.

Mr D W Gray was Director of Platinum Group Pty Ltd, Director and Chair of TEAMSA Pty Ltd, Managing Director GKO Management Pty Ltd and Senior Vice President of Legacy Club of Adelaide Inc.

Ms L Hart was Executive Director, Policy Analysis and Government Enterprises, Department of Treasury and Finance, a Director of Generation Lessor Corporation, Distribution Lessor Corporation, Transmission Lessor Corporation, Director and Chair of Transmission Leasing Pty Ltd, Director and Chair of RESI Corporation, Director and Deputy Chairman of the South Australian Asset Management Corporation.

Mr R G Hook was Executive Director, Office of Major Projects and Infrastructure in the Department for Transport, Energy and Infrastructure and Chair of the State League Netball Management Committee.

Ms A Maddern was a full-time employee of BHP Billiton Limited.

Ms P J Martin was Director, Commercial Advice, Department of the Premier and Cabinet, a Board Member of the South Australian Film Corporation, AustralAsia Railway Corporation, Adelaide to Outback GP Training Program Inc. and the South Australian Affordable Housing Trust Board, a member of the Walford Council of Governors and a Council Member of the University of Adelaide.

From time to time the Corporation may have dealings with the above entities. Any transactions entered into with these entities are carried out in the ordinary course of business and on normal commercial terms and conditions.

Apart from the above interests, no Directors have a pecuniary interest, either direct or indirect, in any firm, trust or company with which the Corporation had entered into a transaction during the year ended 30 June 2008.

LEGAL SERVICES COMMISSION

FUNCTIONAL RESPONSIBILITY

Establishment

The Legal Services Commission (the Commission) is a body corporate established pursuant to subsection 6(1) of the *Legal Services Commission Act 1977* (the LSC Act). Subsection 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 LSC Act provides for the Commission to undertake a variety of functions concerning legal assistance, including providing or arranging for legal assistance and determining the criteria under which that assistance is granted.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Assessment of Controls

Subsection 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 those controls are consistent with the prescribed elements of the FMF as required by TI 2.

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 on the financial statements and internal controls.

Specific areas of audit attention included:

- payroll
- legal expenditure
- other expenditure
- revenue
- receipting and banking
- cash at bank
- fixed assets.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Legal Services Commission as at 30 June 2008, and 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 (including the Australian Accounting Interpretations).

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 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 provided in a management letter to the Director of the Commission. Certain minor internal control improvements were raised covering cash receipting and payroll time recording processes. The Commission's response was satisfactory, indicating they would address the audit matters.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008 $'million	2007 $'million	Percentage Change
EXPENSES			
Employee expenses	**13.5**	13.0	4
Legal expenses	**15.9**	15.2	5
Other expenses	**3.9**	3.5	11
Total Expenses	**33.3**	31.7	5
INCOME			
Legal Practitioners Act revenue	**4.4**	4.3	2
Other income	**2.8**	2.6	8
Total Income	**7.2**	6.9	4
Net Cost of Providing Services	**26.1**	24.8	5
REVENUES FROM GOVERNMENT			
Commonwealth Government grants	**13.7**	13.4	2
State Government grants	**14.2**	12.0	18
Total Revenues from Government	**27.9**	25.4	10
Net Result	**1.8**	0.6	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	**2.1**	1.0	-
ASSETS			
Current assets	**17.2**	15.2	13
Non-current assets	**4.9**	4.8	2
Total Assets	**22.1**	20.0	11
LIABILITIES			
Current liabilities	**3.0**	2.8	7
Non-current liabilities	**2.4**	2.2	9
Total Liabilities	**5.4**	5.0	8
EQUITY	**16.7**	15.0	11

Income Statement

Income

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 are expended in accordance with the agreement. The current agreement covers a period 1 July 2004 to 31 December 2008.

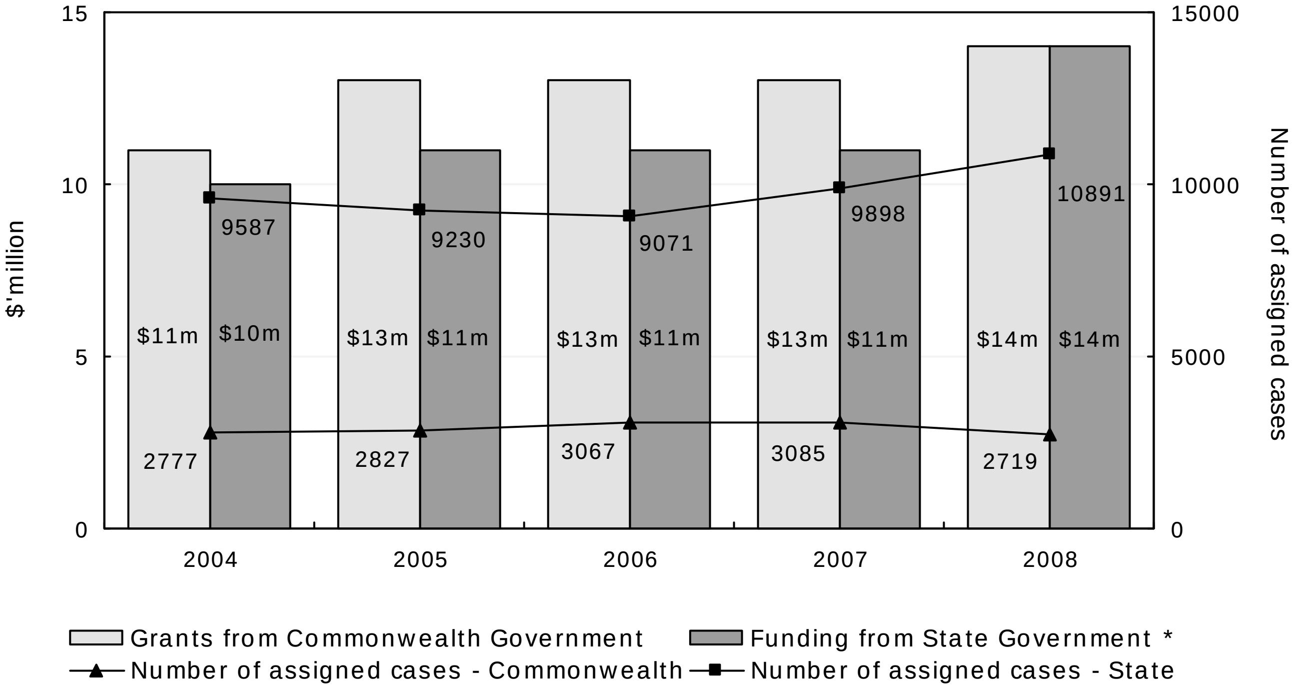
Grants from the Commonwealth Government totalled $13.7 million ($13.4 million) and comprised 39 percent (41 percent) of total Revenues of the Commission. As at 30 June 2008, Commonwealth grant funding received but not yet expended in the manner specified by the Commonwealth totalled $8.1 million ($7.7 million). Further information as to the nature of Commonwealth Government Grants is disclosed in Note 12 of the Commission's financial report.

State Government Funding

The funding provided by the State is determined through the budgetary process of the South Australian Government. The State funding received by the Commission is expended on state law matters and these are predominantly criminal cases, and community advice and education.

General funding from the State Government increased by $2.2 million to $13.7 million and comprised 39 percent (36 percent) of total revenues of the Commission. The increase reflects a revision to budgeted State Government funding in November 2007 providing an additional $1.8 million in 2007-08.

Specific State grants for expensive cases totalled $472 000 ($460 000).



* Excluding expensive case grants

The foregoing chart illustrates, for the past five years, the amounts of State and Commonwealth funding provided (not including expensive case funding). It also illustrates the number of cases that have been assigned that relate to Commonwealth and State funding. Grants received from the Commonwealth have remained relatively consistent over the last four years. The number of assigned Commonwealth cases dropped for the first time in four years, down 12 percent from the previous year. In contrast, over the last two years, the number of assigned State cases has increased 20 percent.

Legal Practitioners Act Revenue

Revenue received from the Law Society of South Australia in accordance with the *Legal Practitioners Act 1981* was $4.4 million ($4.3 million). This revenue varies from year to year as it is dependent on the level of trust monies held by legal practitioners in South Australia and the Law Society of South Australia. Of note are the following items:

- Interest on legal practitioners trust accounts increased by $1 million to $2.6 million.
- Only $5000 was received from the Legal Practitioners Guarantee Fund during 2007-08. The $961 000 received in 2006-07 was the first significant receipt since 2002-03.

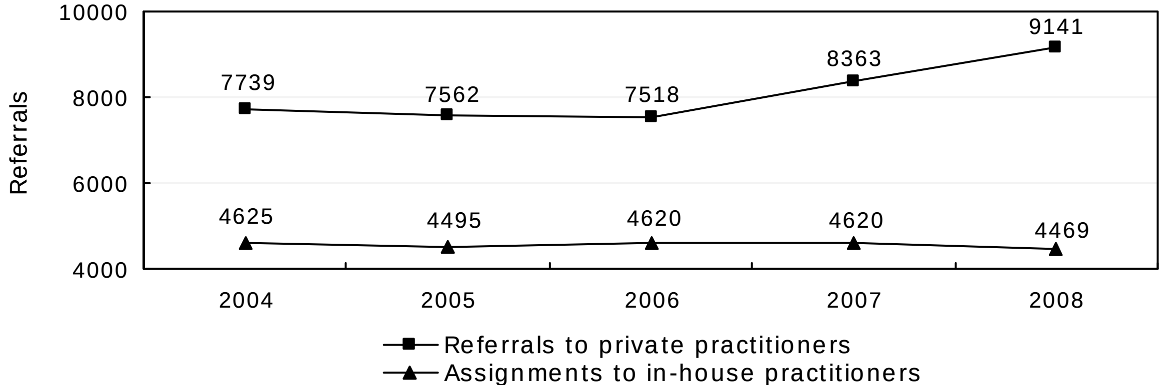
For further information, refer to Note 9 of the Commission's financial report.

Operating Expenses

Referrals to Private and In-house Practitioners

Legal aid is provided by the Commission's practitioners and by referrals to private practitioners.

The following chart shows the trend in referrals to private practitioners and assignment to in-house practitioners over the past five years.



Applications assigned to in house practitioners totalled 4469 cases (4620) or 33 percent (36 percent) of assigned cases.

Referrals to private practitioners for the year totalled 9141 cases (8363) representing a 9 percent increase. Referrals to private practitioners are 67 percent (64 percent) of assigned cases. Fees to private legal practitioners for these cases (legal expenses) amounted to $15.4 million ($14.8 million) and comprised 46 percent (47 percent) of total expenses.

Net Result

The net result of $1.8 million was up from $574 000 in 2006-07.

Cash Flow Statement

The following table summarises the net cash flows for the four years to 2008.

	2008	2007	2006	2005
	$'million	$'million	$'million	$'million
Net Cash Flows				
Operations	**2.1**	1.0	2.4	2.9
Investing	**(0.2)**	(0.2)	(0.6)	(0.3)
Change in Cash	**1.9**	0.8	1.8	2.6
Cash at 30 June	**15.5**	13.5	12.7	10.9

The analysis of cash flows shows a gradual increase in cash at the end of each reporting period.

As discussed previously under 'Commonwealth Government Grants', revenues received from the Commonwealth Government can only be expended on Commonwealth law matters. As at 30 June 2008, Commonwealth grant funding received but not yet expended in the manner specified by the Commonwealth totalled $8.1 million ($7.7 million).

Income Statement
for the year ended 30 June 2008

	Note	**2008 $'000**	2007 $'000
EXPENSES:			
Employee expenses	4	**13 486**	12 987
Private practitioner services	2.15	**15 437**	14 787
Private practitioner services - Bodies in the Barrels	5	**-**	49
Private practitioner services - Other expensive State matters	5	**472**	377
Supplies and services	6	**3 498**	3 180
Depreciation and amortisation expense	7	**331**	322
Other expenses	8	**47**	13
Total Expenses		**33 271**	31 715
INCOME:			
Legal Practitioners Act revenue	9	**4 385**	4 336
Statutory charges		**1 002**	819
Interest		**1 142**	1 011
Costs recovered and contributions	10	**300**	484
Other income	11	**324**	295
Net gain on disposal of non-current asset		**-**	5
Total Income		**7 153**	6 950
NET COST OF PROVIDING SERVICES		**26 118**	24 765
REVENUES FROM GOVERNMENTS:			
Commonwealth Government:			
Funding agreement	12	**12 701**	12 440
Primary dispute resolution	12	**329**	322
Family duty solicitor service	12	**329**	322
Child support - Stage One matters	12	**282**	276
IAAAS income	12	**25**	11
State Government:			
Funding	13	**13 698**	11 483
Equal opportunity appeals funding		**-**	25
State - LEAP project	13	**48**	-
Expensive cases - Bodies in the Barrels		**-**	61
Expensive cases - Other matters	13	**472**	399
Total Revenues from Governments		**27 884**	25 339
NET RESULT		**1 766**	574

Balance Sheet
as at 30 June 2008

	Note	2008 $'000	2007 $'000
CURRENT ASSETS:			
Cash and cash equivalents	21	**15 461**	13 513
Receivables	14	**1 545**	1 617
Other current assets	15	**177**	68
Total Current Assets		**17 183**	15 198
NON-CURRENT ASSETS:			
Property, plant and equipment	16	**1 151**	1 305
Intangible assets	16.1	**30**	53
Statutory charge debtors	17	**3 731**	3 396
Total Non-Current Assets		**4 912**	4 754
Total Assets		**22 095**	19 952
CURRENT LIABILITIES:			
Legal payables		**1 464**	1 363
Payables	18	**368**	293
Employee benefits	19	**1 113**	1 172
Total Current Liabilities		**2 945**	2 828
NON-CURRENT LIABILITIES:			
Payables	18	**165**	144
Employee benefits	19	**2 271**	2 032
Total Non-Current Liabilities		**2 436**	2 176
Total Liabilities		**5 381**	5 004
NET ASSETS		**16 714**	14 948
EQUITY:			
Asset revaluation reserve	2.12	**79**	79
Other reserves	20	**328**	342
Retained earnings		**16 307**	14 527
TOTAL EQUITY		**16 714**	14 948
Commitments	22,23		
Contingent liabilities	25		

Statement of Changes in Equity
for the year ended 30 June 2008

	Asset Revaluation Reserve $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2006	121	1 948	12 347	14 416
Net result	-	-	574	574
Total recognised income and expense for 2006-07	-	-	574	574
Asset revaluation	(42)	-	-	(42)
Transfer to and from reserves	-	(1 606)	1 606	-
Balance at 30 June 2007	79	342	14 527	14 948
Net result	-	-	1 766	1 766
Total recognised income and expense for 2007-08	-	-	1 766	1 766
Transfer to and from reserves	-	(14)	14	-
Balance at 30 June 2008	**79**	**328**	**16 307**	**16 714**

Cash Flow Statement
for the year ended 30 June 2008

	Note	2008 Inflows (Outflows) $'000	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee payments		**(13 234)**	(12 706)
Supplies and services		**(3 579)**	(3 186)
Private practitioner services		**(15 348)**	(14 722)
Private practitioner services - Bodies in the Barrels		**-**	(84)
Private practitioner services - Other expensive State matters		**(472)**	(399)
GST payments on purchases		**(2 115)**	(1 997)
Cash used in Operations		**(34 748)**	(33 094)
CASH INFLOWS:			
Legal Practitioners Act receipts		**4 383**	4 218
Costs recovered and contributions		**277**	468
Statutory charge receipts		**764**	794
Interest		**1 122**	997
GST receipts on revenue		**164**	145
GST receipts from the ATO		**1 852**	1 743
Other receipts		**405**	358
Cash generated from Operations		**8 967**	8 723
CASH FLOWS FROM GOVERNMENTS:			
Commonwealth Government:			
Funding agreement		**12 701**	12 440
Child support - Stage One matters		**282**	276
Primary dispute resolution		**329**	322
Family duty solicitor services		**329**	322
Other income		**25**	34
State Government:			
Funding		**13 698**	11 483
State - LEAP project		**48**	-
Expensive Cases - Bodies in the Barrels		**-**	61
Expensive Cases - Other matters		**472**	399
Total Cash Flows from Governments		**27 884**	25 337
Net Cash provided by Operating Activities	21	**2 103**	966
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(155)**	(154)
Cash used in Investing Activities		**(155)**	(154)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1 948**	812
CASH AND CASH EQUIVALENTS AT 1 JULY		**13 513**	12 701
CASH AND CASH EQUIVALENTS AT 30 JUNE	21	**15 461**	13 513

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Legal Services Commission of South Australia

The Legal Services 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 objective of the Commission is to provide clients with accessible information, advice and representation to meet their legal needs.

2. Summary of Significant Accounting Policies

2.1 Statement of Compliance

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

AASs include AIFRS and AAS 29. 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 ending 30 June 2008.

The Commission's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for the valuation of the library, which is at an independent valuation.

The Cash Flow Statement has been prepared on a cash basis.

The financial report has been prepared based on a 12 month operating cycle and presented in Australian currency.

2.2 Comparative Figures

The presentation and classification of items in the financial report 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 report has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

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

2.3 Rounding

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

2.4 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.

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 Balance Sheet.

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

2.5 Income and Expenses

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

Income and expenses have been classified according to their nature in accordance with APF II APS 3.5 and have not been offset unless required or permitted by a specific Accounting Standard.

Government Funding
The Commission receives funding from the State and Commonwealth Governments, which are recognised as income when monies are received.

Government Funding Expensive Cases
The Commission recognises expensive case funding when the amount has been approved and can be reliably measured.

Other Revenue
Other Revenue is recognised as it accrues.

2.6 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.

2.7 Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents includes 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.

2.8 Depreciation and Amortisation of Non-Current Assets

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

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

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

Depreciation/amortisation for non-current assets is determined as follows:

Class of Asset	*Depreciation Method*	*Useful Life (Years)*
Plant and Equipment:		
Computers	Straight Line	3-5
Office equipment	Straight Line	5-13
Furniture and fittings	Straight Line	13
Leasehold improvements	Straight Line	10
Intangibles	Straight Line	3-5

2.9 Payables

Payables include creditors, accrued expenses and employment on-costs.

Creditors represent the amounts owing for goods and services received prior to the ending 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 in accordance with TI 11.

Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, annual leave and long service 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. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes.

2.10 Employee Benefits

Provision has been made in the financial report for the Commission's liability for employee benefits arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees have been included in the determination of the liability. In accordance with APF IV employment on-costs component is included in creditors. The aggregate of employee benefits is disclosed at Note 19.

1. *Annual Leave*

   Provision has been made for the unused component of annual leave at balance date. The provision has been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. A salary inflation of 4.5 percent has been applied to employee benefits which are expected to be settled in the next 12 months.

2. *Sick Leave*

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

3. *Long Service Leave*
Provision has been made for the Commission's liability for long service leave at balance date in accordance with APF IV. The short-hand method of determining long service leave entitlements has been adopted and provision has been made for all employees with 6.5 or more years of service, being the benchmark number of years as determined by the Department of Treasury and Finance.

4. *Superannuation*
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 $77 000 ($70 000).

(b) During 2007-08 the Commission paid $1 225 000 ($1 143 000) to the superannuation schemes towards the accruing government liability for superannuation in respect of all employees.

2.11 Workers Compensation
The Commission pays a workers compensation levy to the WorkCover Corporation 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 WorkCover Corporation.

2.12 Asset Revaluation Reserve
The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets.

2.13 Financial Instruments
The Commission's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2008, are as follows:

Financial Assets
Cash at Bank (Note 21) comprises deposits at call with the South Australian Government Financing Authority and are recorded at cost. Interest revenues are recognised as they accrue. Interest rates are at market rates and have fluctuated between 6.15 percent and 7.67 percent for the year ended 30 June 2008 (5.65 percent and 6.41 percent).

Receivables (Note 14) include client debtors and other debtors and are reported at amounts due.

The Commission is exposed to credit risk associated with amounts due from clients with respect to contributions for legal aid and other sundry charges. The credit risk relating to the financial asset recognised in the Balance Sheet is the carrying amount net of any provision for doubtful debts.

Financial Liabilities
Legal creditors are raised for amounts billed from private practitioners for approved cases undertaken but unpaid. They are normally settled within 30 days.

Creditors are raised for amounts billed but unpaid and are normally settled within 30 days.

All financial instruments are valued at the carrying amount as per the Balance Sheet, which approximates net fair value

2.14 Property, Plant and Equipment
In accordance with APF III and the Commission's revaluation policy, property, plant and equipment are recognised at written down current cost unless the fair value of the group (at the time of acquisition) is greater than $1 million.

2.15 Private Practitioner Services
Comprise solicitor's fees, counsel fees and disbursements due to private practitioners for approved cases undertaken during the year.

2.16 Trust Funds
Pursuant to the *Legal Practitioner's Act 1981* the Commission holds funds in trust on behalf of clients. As at 30 June 2008, the total funds held were $219 000 ($170 000).

These funds are not controlled by the Commission. As such they are not recognised in the financial report.

3. Changes in Accounting Policies
The Commission has adopted the AIFRS.

The 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 30 June 2008. The Commission has assessed the impact of the new amended Standards and Interpretations and considers there will be no impact on the accounting policies or the financial report of the Commission.

4. Employee Expenses

	2008	2007
	$'000	$'000
Salaries and wages	**11 390**	10 926
Superannuation	**1 302**	1 213
Long service leave	**407**	482
Payroll tax	**284**	284
Workers compensation	**103**	82
Total Employee Expenses	**13 486**	12 987

Remuneration of Employees

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

	2008 Number of Employees	2007 Number of Employees
$100 001 - $110 000	**6**	4
$110 001 - $120 000	**3**	3
$120 001 - $130 000	**4**	4
$130 001 - $140 000	**2**	1
$140 001 - $150 000	**1**	1
$150 001 - $160 000	**-**	1
$170 001 - $180 000	**1**	1
$180 001 - $190 000	**1**	-
$200 001 - $210 000	**-**	1
$220 001 - $230 000	**1**	-
$230 001 - $240 000	**-**	1
$250 001 - $260 000	**1**	-
$260 001 - $270 000	**-**	1
$290 001 - $300 000	**1**	-
Total	**21**	18

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflect all costs of employment including salaries and wages, superannuation contributions and related payments.

The total remuneration received or due and receivable by these employees was $3 018 000 ($2 573 000).

5. State Expensive Case Matters

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. These matters are separately funded by the State Government (refer Note 13).

6. Supplies and Services

	2008	2007
Supplies and Services provided by Entities external to SA Government:	**$'000**	$'000
Accommodation	**1 162**	1 026
Computing and communications	**763**	548
Travel	**94**	133
Office requisites	**238**	293
Library	**192**	165
Consultancy fees	**116**	3
Other	**285**	399
Provision for doubtful debts	**-**	(63)
Total Supplies and Services - Non-SA Government Entities	**2 850**	2 504
Supplies and Services provided by Entities within SA Government:		
Accommodation	**168**	177
Computing and communications	**291**	280
Travel	**61**	48
Office requisites	**7**	26
Consultancy Fees	**24**	18
Other*	**97**	127
Total Supplies and Services - SA Government Entities	**648**	676
Total Supplies and Services	**3 498**	3 180

* Includes Auditor's remuneration of $54 500 ($52 500), for auditing the accounts. The auditors provided no other services and received no other benefits.

6. Supplies and Services (continued)

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

	2008		2007	
	Number of Consultancies	**$'000**	Number of Consultancies	$'000
Below $10 000	**2**	**14**	1	3
Between $10 000 and $50 000	**2**	**46**	1	18
Above $50 000	**1**	**80**	-	-
Total Paid / Payable to the Consultants Engaged	**5**	**140**	2	21

7. Depreciation and Amortisation Expense

	2008	2007
Depreciation:	**$'000**	$'000
Plant and equipment	**225**	224
Total Depreciation	**225**	224
Amortisation:		
Leasehold improvements	**83**	82
Intangible assets	**23**	16
Total Amortisation	**106**	98
Total Depreciation and Amortisation Expense	**331**	322

8. Other Expenses

Bad debts	**47**	13

9. Legal Practitioners Act 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:

Statutory interest account	**1 796**	1 786
Interest on legal practitioners trust accounts	**2 584**	1 589
Legal Practitioners Guarantee Fund	**5**	961
	4 385	4 336

10. Costs Recovered and Contributions

Costs recovered	**77**	103
Contributions*	**223**	381
	300	484

* In addition, contributions of $552 000 ($429 000) in relation to referred cases were paid or are payable directly to private practitioners by clients.

11. Other Income

Other income from entities external to the SA Government	**187**	157
Other income from entities within the SA Government	**137**	138
	324	295

12. Commonwealth Government

A Commonwealth Government Legal Assistance Agreement was entered into between the Commonwealth and State Governments for the provision of legal assistance. The agreement was effective from 1 July 2004. Pursuant to that Agreement:

- the Commonwealth contributed $12 701 000 ($12 440 000) in service payments in 2007-08. As at 30 June 2008, $8 056 000 ($7 748 000) is yet to be expended. $1 367 000 ($1 373 000) of this amount is committed to Commonwealth legal cases which are yet to be finalised as at 30 June 2008 as disclosed at Note 22;
- the Commonwealth also contributed $329 000 ($322 000) for the provision of Primary Dispute Resolution Services and $329 000 ($322 000) for the provision of Family Law Duty Lawyer Services and $282 000 ($276 000) for the provision of legal assistance in Child Support Stage One carer-parent matters. With the exception of Stage One carer-parent matters funding, which is an agreed amount for each year to 2007-08, all other funding will be indexed each year by the factor used in the Australian Government annual budget process;
- the Commonwealth allows up to 25 percent of Commonwealth revenue to be held by the Commission as an allowed surplus in a financial year. Reserves exceeding this level may be returned to the Commonwealth Government;
- the Commission entered into an agreement with the Commonwealth of Australia to provide services for the Immigration advice and application assistance scheme (IAAAS).

13. State Government

In 2007-08 the State contributed funding of $13 698 000 ($11 483 000). In addition, the State Government contributed $48 000 for the LEAP Project.

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 $472 000 ($399 000) for approved expensive cases that exceeded the Commission cap.

14. Receivables

	2008	2007
	$'000	$'000
Legal Practitioners Act debtors	**1 076**	1 074
GST	**279**	278
Client debtors and other debtors	**190**	265
Total Current Receivables	**1 545**	1 617

15. Other Current Assets

	2008	2007
Prepayments	**177**	68

16. Property, Plant and Equipment

	2008		2007	
	$'000	**$'000**	$'000	$'000
Leasehold improvements at fair value	**834**		820	
Less: Accumulated depreciation	**374**	**460**	291	529
Plant and equipment at fair value	**1 265**		1 124	
Less: Accumulated depreciation	**865**	**400**	639	485
Library		**291**		291
Total Property, Plant and Equipment		**1 151**		1 305

Valuation of Library

The Commission obtained an independent revaluation of the library at market or fair value. The library collection comprises reports/major works, journals, loose-leaf services and a mix of dictionaries, encyclopaedias, statutes etc. The revaluation was undertaken by the Australian Valuation Office, which valued the library at $291 000.

16.1 Intangible Assets

	2008	2007
	$'000	$'000
Computer software	**83**	83
Less: Accumulated amortisation	**53**	30
Total Intangible Assets	**30**	53

16.2 Reconciliation of Non-Current Assets

2008

	Leasehold Improve-ments $'000	Plant and Equipment $'000	Library $'000	**Total Property, Plant and Equipment $'000**	Other Computer Software $'000	**Total Intangible Assets $'000**
Balance at 30 June 2007	820	1 124	291	**2 235**	83	**83**
Add: Additions	14	141	-	**155**	-	**-**
Less: Disposals	-	-	-	**-**	-	**-**
Balance at 30 June 2008	**834**	**1 265**	**291**	**2 390**	**83**	**83**
Accumulated Depreciation:						
Balance at 30 June 2007	291	640	-	**931**	30	**30**
Less: Disposals	-	-	-	**-**	-	**-**
Add: Depreciation expense	83	225	-	**308**	23	**23**
Balance at 30 June 2008	**374**	**865**	**-**	**1 239**	**53**	**53**
Net Book Value:						
As at 30 June 2007	529	485	291	1 305	53	53
As at 30 June 2008	**460**	**400**	**291**	**1 151**	**30**	**30**

16.3 Net Gain from Disposal of Non-Current Assets

	2008	2007
	$'000	$'000
Proceeds from disposal	**-**	47
Book value of asset sold	**-**	42
Net Gain from Disposal of Non-Current Assets	**-**	5

17. 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.

	2008 $'000	2007 $'000
Statutory charge debtors	**3 731**	3 396

18. Payables

	2008 $'000	2007 $'000
Current:		
Creditors	**165**	138
Accrued expenses	**41**	-
Employment on-costs	**162**	155
Total Current Payables	**368**	293
Non-Current:		
Employment on-costs	**165**	144
Total Non-Current Payables	**165**	144
Total Payables	**533**	437

19. Employee Benefits

	2008 $'000	2007 $'000
Current:		
Annual leave	**751**	754
Accrued salaries and wages	**276**	213
Long service leave	**86**	205
Total Current Employee Benefits	**1 113**	1 172
Non-Current:		
Long service leave	**2 271**	2 032
Total Non-Current Employee Benefits	**2 271**	2 032
Total Employee Benefits	**3 384**	3 204

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2007-08 is $1 275 000 and $2 436 000 respectively.

20. Other Reserves

	2008 $'000	2007 $'000
Movements during the year were:		
Asset Replacement Reserve:		
Balance at 1 July	**-**	1 558
Less: Transfer to retained earnings	**-**	1 558
Add: Transfer from retained earnings	**-**	-
Balance at 30 June	**-**	-
Commonwealth Expensive Case Reserve:		
Balance at 1 July	**100**	100
Less: Transfer to retained earnings	**-**	-
Balance at 30 June	**100**	100
State Legal Assistance Scheme Reserve:		
Balance at 1 July	**242**	290
Less: Transfer to retained earnings	**14**	48
Balance at 30 June	**228**	242
Total Other Reserves	**328**	342

Asset Replacement

The balance of the reserve was transferred to retained earnings in 2006-07. Asset replacement plans will be delayed until further funding is available from the State Government.

Commonwealth Expensive Cases

The Commission did not use the Commonwealth Expensive Case allocation in 2007-08.

State Legal Assistance Scheme

The Commission utilised $14 000 ($48 000) of the State Legal Assistance Scheme allocation on State matters pursuant to a policy approved by Commissioners and the Law Society of SA, which includes specific conditions.

21. Cash Flow Reconciliation

Cash and cash equivalents as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the items in the Balance Sheet as follows:

	2008 $'000	2007 $'000
Deposits at call - SAFA	**15 425**	13 551
Cash at bank and on hand	**36**	(38)
Cash and Cash Equivalents as recorded in the Balance Sheet	**15 461**	13 513
Cash and Cash Equivalents as recorded in the Cash Flow Statement	**15 461**	13 513

21. Cash Flow Reconciliation (continued)

Reconciliation of Net Cash (used in) provided by Operating Activities to Net Cost of Providing Services	**2008 $'000**	2007 $'000
Net cost of providing services	**(26 118)**	(24 765)
Add: Revenues provided by Government	**27 884**	25 339
Add (Less): Non-cash items:		
Depreciation and amortisation	**331**	322
Bad debts	**47**	13
Doubtful debt provision	**-**	13
Profit on disposal of asset	**-**	(5)
Changes in Assets/Liabilities:		
(Increase) in statutory charge debtors	**(382)**	(160)
Decrease (Increase) in receivables	**73**	(160)
(Increase) Decrease in prepayments	**(109)**	28
Increase in employee provisions	**180**	240
Increase in payables	**96**	39
Increase in legal payables	**101**	62
Net Cash provided by Operating Activities	**2 103**	966

22. Legal Expense Commitments

As at 30 June 2008, the Commission has a future commitment of $4 170 000 ($4 118 000) on legal cases referred to private practitioners which are still to be finalised. The Commonwealth and State components are as follows:

	Commonwealth		State	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Legal expense commitments	**1 367**	1 373	**2 809**	2 745

In addition the Commission has a future commitment of $74 000 ($267 000) on State Expensive cases which will be funded separately.

The Commission reviewed outstanding legal commitments and determined that commitments less the underutilisation factor of 21.68 percent Commonwealth and 32.73 percent State would be recognised on all outstanding amounts raised since December 2006 (ie the previous 18 months). Commitments raised prior to this date have been dismissed. 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.

23. Commitments for Expenditure

At the reporting date the Commission had the following obligations under non-cancellable operating leases. The obligations are not recognised as liabilities in the Balance Sheet. The operating leases held by the Commission are property leases with penalty clauses equal to the amount of the residual payments remaining for the lease term. The leases are payable one month in advance. The option to renew the lease is held by the Commission. There are no existing contingent rental provisions.

	2008	2007
Operating Lease Commitments:	**$'000**	$'000
Not later than one year	**254**	273
Later than one year but not later than five years	**808**	174
Total Operating Lease Commitments	**1 062**	447
Remuneration Commitments:		
Not later than one year	**2 551**	3 363
Later than one year but not later than five years	**2 163**	2 422
Total Remuneration Commitments	**4 714**	5 785

The amounts disclosed as remuneration commitments, includes only those commitments arising from written contracts for executive and other written service contracts.

24. Related Party Disclosures

The members of the Commission who have held office during the financial year are:

Ms Dymphna Eszenyi (Chairman) reappointed 20.01.08
Mr Michael Dawson
Ms Elizabeth Ahern
Mr Michael Burgess
Mr David Meyer
Mr David Mazzone appointed 17.01.08
Ms Rosemary Davey
Ms Wendy Purcell
Ms Maurine Pyke, QC, reappointed 24.03.08
Mr Hugh Gilmore
Ms Phuong Chau resigned 20.01.08

The members of the Commission are appointed by the Governor in accordance with the provisions of the Act and include partners of legal firms. 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.

24. Related Party Disclosures (continued)

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

	2008 Number of Members	2007 Number of Members
$0	**1**	1
$1 - $10 000	**9**	9
$10 001 - $20 000	**1**	1
Total	**11**	11

The total remuneration received or due and receivable by these members was $87 000 ($86 000).

Amounts paid to a superannuation plan for members was $7000 ($7000).

25. Contingent Liabilities

At balance date and at the date of certification of this financial report by the Commission there was no known contingent liability. However, legal expense commitments existed as disclosed at Note 22.

LIBRARIES BOARD OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

Establishment and Functions

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 and the public libraries system. For details of the Board's functions, refer to Note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and subsection 18(2) of the *Libraries Act 1982* provides for the Auditor-General to audit the accounts of the Board for each financial year.

Assessment of Controls

Subsection 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 those controls are consistent with the prescribed elements of the FMF as required by TI 2.

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 statements and internal controls.

During 2007-08, specific areas of audit attention included:

- expenditure, including accounts payable and salaries and wages
- revenue including cash receipting and banking
- subsidy payments to public libraries
- financial management reporting
- risk management
- property, plant and equipment.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Libraries Board of South Australia as at 30 June 2008, and 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 (including the Australian Accounting Interpretations).

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, 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

The management letter to the Board advised that the results of the audit were satisfactory.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008 $'million	2007 $'million	Percentage Change
INCOME			
Government grants	**29.6**	27.5	8
Other income	**3.7**	3.7	-
Total Income	**33.3**	31.2	7
EXPENSES			
Employee benefits	**11.4**	10.8	6
Subsidies to Public Libraries	**11.4**	11.6	(2)
Other expenses	**10.7**	10.0	7
Total Expenses	**33.5**	32.4	3
Net Result	**(0.2)**	(1.2)	(83)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**1.2**	1.9	(37)
ASSETS			
Current assets	**4.0**	4.1	(2)
Non-current assets	**111.0**	102.8	8
Total Assets	**115.0**	106.9	8
LIABILITIES			
Current liabilities	**2.2**	3.0	(27)
Non-current liabilities	**2.5**	2.4	4
Total Liabilities	**4.7**	5.4	(13)
EQUITY	**110.3**	101.5	9

Income Statement

Income

Income from operations increased by $61 000 to $3.7 million. Fees and charges increased by $978 000 to $1.6 million mainly as a result of recoveries of $893 000 in relation to a book club program, for Child Care Centres, conducted by the Board on behalf of the Department of Education and Children's Services. Donations decreased by $736 000 to $84 000 and interest and investment income decreased by $236 000 to $866 000 as a result of the decrease in the market value of the investments.

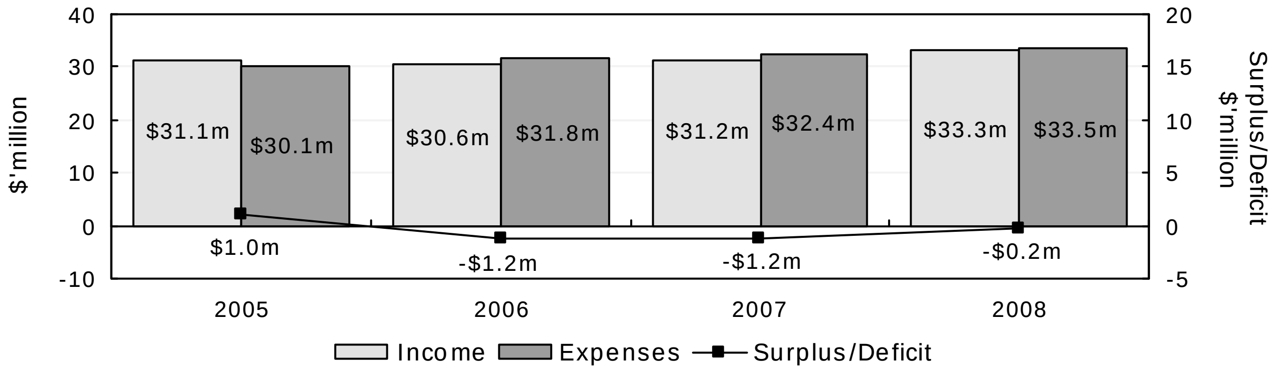
Note 2.19 to the financial statements states that the Board is dependent on the ongoing financial support of the State Government. The grant from the State Government for operating purposes totalled $29 million ($27.5 million).

Expenses

Expenses increased by $1.1 million to $33.5 million mainly as a result of expenditure of $893 000 relating to the book club program for the Department of Education and Children's Services.

Net Result

The following chart shows income, expenses and deficits/surpluses for the four years to 2008.



Balance Sheet

The total assets of the Libraries Board at 30 June 2008 are $115 million ($106.9 million), of which $58.5 million (51 percent) relates to the Board's property, plant and equipment and $45.2 million (39 percent) relates to the Research and Heritage Collections.

The value of land and buildings and improvements increased by $7.5 million to $55.2 million arising mainly from a revaluation of those assets.

Income Statement
for the year ended 30 June 2008

	Note	**2008** **$'000**	2007 $'000
EXPENSES:			
Employee benefits	5	**11 377**	10 778
Supplies and services	7	**6 583**	5 784
Accommodation and facilities	8	**1 786**	1 794
Subsidies to public libraries		**11 406**	11 588
Depreciation and amortisation	9	**1 994**	2 263
Net loss from disposal of non-current assets	10	**405**	160
Total Expenses		**33 551**	32 367
INCOME:			
Fees and charges	11	**1 646**	668
Donations		**84**	820
Council contributions		**124**	126
Rent and facilities hire		**237**	240
Resources received free of charge	2.4	**499**	565
Interest and investment income	12	**866**	1 102
Other	13	**252**	126
Total Income		**3 708**	3 647
NET COST OF PROVIDING SERVICES		**29 843**	28 720
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government - Recurrent operating grant		**29 047**	27 486
Revenues from SA Government - Capital grant		**565**	-
Total Revenues from SA Government		**29 612**	27 486
NET RESULT		**(231)**	(1 234)

Net result is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2008

	Note	**2008**	2007
		$'000	$'000
CURRENT ASSETS:			
Cash	26	**3 702**	3 773
Receivables	15	**278**	326
Inventories		**-**	14
Total Current Assets		**3 980**	4 113
NON-CURRENT ASSETS:			
Investments	16	**7 228**	7 066
Property, plant and equipment	17	**58 531**	51 248
Intangible assets	18	**9**	14
Research and heritage collections	19	**45 232**	44 467
Total Non-Current Assets		**111 000**	102 795
Total Assets		**114 980**	106 908
CURRENT LIABILITIES:			
Payables	20	**920**	990
Unearned income		**-**	906
Short-term employee benefits	21	**1 160**	1 082
Short-term provisions	22	**74**	62
Total Current Liabilities		**2 154**	3 040
NON-CURRENT LIABILITIES:			
Payables	20	**196**	190
Long-term employee benefits	21	**2 106**	1 990
Long-term provisions	22	**191**	169
Other	23	**10**	10
Total Non-Current Liabilities		**2 503**	2 359
Total Liabilities		**4 657**	5 399
NET ASSETS		**110 323**	101 509
EQUITY:			
Retained earnings		**93 183**	93 286
Asset revaluation reserve		**17 140**	8 223
TOTAL EQUITY		**110 323**	101 509

Total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	24
Contingent assets and liabilities	25

Statement of Changes in Equity for the year ended 30 June 2008

	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2006	8 223	94 520	102 743
Net result for 2006-07	-	(1 234)	(1 234)
Balance at 30 June 2007	8 223	93 286	101 509
Gain on revaluation of land during 2007-08	2 265	-	2 265
Gain on revaluation of buildings during 2007-08	6 780	-	6 780
Derecognition of other assets during 2007-08	(128)	128	-
Net income recognised directly in equity for 2007-08	8 917	128	9 045
Net result for 2007-08	-	(231)	(231)
Total recognised income and expense for 2007-08	-	(231)	(231)
Balance at 30 June 2008	**17 140**	**93 183**	**110 323**

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

Cash Flow Statement
for the year ended 30 June 2008

	Note	**2008 Inflows (Outflows) $'000**	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefits		**(11 126)**	(10 400)
Supplies and services		**(5 916)**	(5 192)
Accommodation and facilities		**(1 897)**	(1 761)
Subsidies to public libraries		**(11 521)**	(11 646)
Cash used in Operations		**(30 460)**	(28 999)
CASH INFLOWS:			
Fees and charges		**680**	659
Donations		**46**	803
Council contributions		**124**	126
Rent and facilities hire		**258**	216
Interest and investment income		**673**	506
Reimbursement for purchase of materials		**-**	906
Other		**229**	175
Cash generated from Operations		**2 010**	3 391
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government - Recurrent operating grant		**29 047**	27 486
Receipts from SA Government - Capital grant		**565**	-
Cash generated from SA Government		**29 612**	27 486
Net Cash provided by Operating Activities	26	**1 162**	1 878
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Repayment of imprest account		**-**	(1)
Purchase of investments		**(589)**	(470)
Purchase of property, plant and equipment		**(699)**	(144)
Purchase of heritage collections		**(718)**	(743)
Cash used in Investing Activities		**(2 006)**	(1 358)
CASH INFLOWS:			
Proceeds from the sale/maturity of investments		**773**	607
Cash generated from Investing Activities		**773**	607
Net Cash used in Investing Activities		**(1 233)**	(751)
NET (DECREASE) INCREASE IN CASH		**(71)**	1 127
CASH AT 1 JULY		**3 773**	2 646
CASH AT 30 JUNE	26	**3 702**	3 773

Activities Schedule of Expenses and Income for the year ended 30 June 2008

	2008			2007		
	Activity	**Activity**		Activity	Activity	
(Refer Note 4)	**1**	**2**	**Total**	1	2	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
EXPENSES:						
Employee benefits	**9 793**	**1 584**	**11 377**	9 047	1 731	10 778
Supplies and services	**2 922**	**3 661**	**6 583**	2 929	2 855	5 784
Accommodation and facilities	**1 655**	**131**	**1 786**	1 662	132	1 794
Subsidies to public libraries	**-**	**11 406**	**11 406**	-	11 588	11 588
Depreciation and amortisation	**1 884**	**110**	**1 994**	1 899	364	2 263
Loss from disposal of assets	**-**	**475**	**475**	-	178	178
Total Expenses	**16 254**	**17 367**	**33 621**	15 537	16 848	32 385
INCOME:						
Fees and charges	**728**	**918**	**1 646**	668	-	668
Donations	**84**	**-**	**84**	820	-	820
Council contributions	**-**	**124**	**124**	-	126	126
Rent and facilities hire	**237**	**-**	**237**	240	-	240
Resources received free of charge	**454**	**45**	**499**	515	50	565
Gain on sale of assets	**70**	**-**	**70**	18	-	18
Interest and investment income	**678**	**188**	**866**	975	127	1 102
Other	**191**	**61**	**252**	111	15	126
Total Income	**2 442**	**1 336**	**3 778**	3 347	318	3 665
NET COST OF PROVIDING SERVICES	**(13 812)**	**(16 031)**	**(29 843)**	(12 190)	(16 530)	(28 720)
REVENUES FROM SA GOVERNMENT:						
Recurrent operating grant	**12 680**	**16 367**	**29 047**	11 509	15 977	27 486
Capital grant	**565**	**-**	**565**	-	-	-
Total Revenues from SA Government	**13 245**	**16 367**	**29 612**	11 509	15 977	27 486
NET RESULT	**(567)**	**336**	**(231)**	(681)	(553)	(1 234)

Activities Schedule of Assets and Liabilities as at 30 June 2008

	2008			2007		
	Activity	**Activity**		Activity	Activity	
(Refer Note 4)	**1**	**2**	**Total**	1	2	Total
ASSETS:	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000
Assets	**110 443**	**4 537**	**114 980**	102 602	4 306	106 908
Total Assets	**110 443**	**4 537**	**114 980**	102 602	4 306	106 908
LIABILITIES:						
Liabilities	**3 468**	**1 189**	**4 657**	3 254	2 145	5 399
Total Liabilities	**3 468**	**1 189**	**4 657**	3 254	2 145	5 399

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Libraries Board (the Board)

The functions of the Board, as prescribed under the *Libraries Act 1982,* include:

- 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 financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs, TIs and APSs promulgated under the provision of the PFAA.

AASs include AIFRS and AAS 29. 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 2008. Refer to Note 3.

2.2 Basis of Preparation

The preparation of the financial report 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, 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, by authority of TI 19. 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 and greater than $100 000 are separately identified and classified according to their nature;

  (b) expenses incurred as a result of engaging consultants;

  (c) employee TVSP information;

  (d) employees whose normal remuneration is $100 000 or more (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 Board's Income Statement, Balance Sheet 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 applicable valuation policy.

The Cash Flow Statement has been prepared on a cash basis.

The financial report has been prepared based on a 12 month operating cycle and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2008 and the comparative information presented for the year ended 30 June 2007.

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 expense are recognised in the Board's Income Statement 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.

2.4 Income and Expenses (continued)

Income from fees and charges is derived from the provision of goods and services to the public and to other government agencies. 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. Government grants and Council contributions are recognised as income in the period in which the Board obtains control over the grants and contributions.

Resources Received Free of Charge
Resources received free of charge are recorded as revenue and expenditure in the Income Statement at their fair value.

Under an arrangement with Arts SA and Artlab Australia, divisions of the Department of the Premier and Cabinet, 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 and a corresponding amount included as conservation expenditure in 'Supplies and Services' (Note 7).

Under an arrangement with the Services Division of the Department of the Premier and Cabinet, 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' (Note 7).

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 have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.6 Cash

Cash in the Balance Sheet includes cash at bank and on hand. For the purposes of the Cash Flow Statement, cash is defined above.

Cash is measured at nominal value.

2.7 Receivables

Receivables include amounts receivable from trade, 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 receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

The ability to collect trade 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 Board will not be able to collect the debt.

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 the 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 $5000 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

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 three years the Board revalues its land, buildings and heritage collections. 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 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 asset revaluation reserve, except to the extent that it reverses a revaluation decrement of the same asset class previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement.

2.10 Valuation of Non-Current Assets (continued)

Any revaluation decrement is recognised in the Income Statement, except to the extent that it offsets a previous revaluation increment for the same asset class, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve 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 reserve relating to that asset is transferred to retained earnings.

Land and Buildings

An independent valuation of the land and buildings was conducted as at 30 June 2008 by the Australian Valuation Office (AVO). The valuation at 30 June 2008 was prepared on a fair value basis.

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 Services Collections

The Public Library Services (PLS) collections, consisting of Video and Print Disability collections and Languages other than English (LOTE) collections, were revalued according to fair value methodology as at 30 June 2006 by D Hope, Principal Consultant, Skilmar Systems Pty Ltd.

The revaluation was made on the basis of the average cost of items added to the collection during the 2005-06 financial year including the cost of acquisition and then depreciated, based on the age of the item. For the LOTE collections, the average cost for 2004-05 was used as no items were added to the collection in 2005-06 and determining an average price for 2005-06 would be both difficult and expensive.

Items in the Public Library collection are disposed of for no consideration at the end of their useful life to public libraries and similar institutions. On this basis, no residual value is placed on those assets. The Film collection was 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.

During the 2007-08 financial year, part of the Public Library collection was distributed to public libraries.

Research and Heritage Collections

The Board's research and heritage collections were revalued as at 30 June 2006 using the valuation methodology outlined below.

The State Library of South Australia appointed Graeme Addicott, Regional Manager of the AVO to undertake the valuation of the Library's collections as at 30 June 2006. The AVO was responsible for the review of valuations undertaken by State Library staff specialists and to perform valuations where external expertise was required.

Internal valuations were carried out by staff specialists in their related fields. The valuations were based on knowledge of the particular collections, an understanding of the valuation techniques and the markets that exist for the collection items. The AVO undertook testing and confirmation of internal valuations.

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.

Research collections were valued using the linear method of valuation by State Library staff. This method is based on an average cost per volume applied to the size of the collection. This methodology was reviewed and confirmed by the AVO. Selected heritage collections were valued by an external valuer on a market value basis, with significant and unique objects being valued individually.

Sampling techniques were used to value other less significant elements of the heritage collection with valuations done by both the State Library staff and the AVO.

Additional external valuations were carried out by the following recognised industry experts:

Rare Books	J Burdon
Framed Works	D Hyles

Research and Heritage Collections (continued)
Research and Heritage collections which have been valued are the Rare Books and some Named Collections, Maps, Microfilm Serials, Monographs, Electronic Resources, Family History Collections, Periodicals, Newspapers purchased and Mortlock Use Collections.

A nil valuation was adopted for a number of unique or irreplaceable heritage collections where there is no applicable replacement or reliable market value, or where the materials have been acquired largely through the legal deposit provisions of the *Libraries Act 1982*.

The Mortlock South Australiana Collections are recognised at nil value as they have been considered to be unique and not capable of reliable measurement. Collections which were not valued were the Mortlock Archival Collections, Mortlock Published Collections, Mortlock Special Collections and some unpublished Named and Special Collections.

2.11 Impairment of Assets

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 asset revaluation reserve.

2.12 Depreciation of Non-Current Assets

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each non-current asset over its expected useful life except for land, research and heritage collections, which are not depreciable. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

Class of Asset	*Useful Life (Years)*
Buildings and improvements	Useful life depends on individual asset item
Plant and equipment	5-20
Computer equipment	3-5
Video and Print Disability collections	8
Compactus and Lifts	30

The research and heritage collections are kept under special conditions to minimise 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. The Public Library collection has been depreciated as indicated above.

2.13 Payables

Payables include creditors, accrued expenses and employment 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.

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

2.14 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 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 employees is estimated to be less than the annual entitlement of sick leave.

(i) *Salaries, Wages and Annual Leave*
Liabilities for salaries, wages and annual leave have been recognised as the amount unpaid at the reporting date. The liability for annual leave has been calculated at nominal amounts based on current remuneration rates as at reporting date. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

(ii) *Long Service Leave*
A liability for long service leave is recognised after an employee has completed six and a half years of service. An actuarial assessment of long service leave, undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector, determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Board's experience of employee retention and leave taken.

(iii) *On-Costs*
Employee benefit on-costs (payroll tax, WorkCover and superannuation) are recognised separately under payables.

(iv) *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. The Department of Treasury and Finance 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
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 Division of the Department of the Premier and Cabinet.

2.16 Leases
The Board has entered into a number of operating lease agreements for accommodation, vehicles and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Income Statement in the periods in which they are incurred.

2.17 Comparative Information
The presentation and classification of items in the financial report 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 report has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

The restated comparative amounts do not replace the original financial report 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 Balance Sheet as the Board is a member of an approved GST group of which Arts SA, a division of the Department of the Premier and Cabinet, 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 Cash Flow Statement.

2.19 State Government Funding
The financial report is 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 report have been rounded to the nearest thousand dollars ($'000).

2.21 Insurance
The Board has arranged, through SAICORP, a division of the South Australian Government Financing Authority, to insure 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 Balance Sheet, 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. Changes in Accounting Policies
The AASs and Interpretations that have recently been issued or amended but are effective, have not been adopted by the Board for the reporting period ending 30 June 2008. 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 report of the Board.

4. Activities of the Board

The identity and purpose of each major activity undertaken by the Board during the year ended 30 June 2008 is summarised below (refer to the Activities Schedule – 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 PLS (Public Library Services) and the distribution of State subsidies, an equitable and responsible provision of resources, support and services to public libraries and community information agencies.

5. Employee Benefits

	2008	2007
	$'000	$'000
Salaries and wages	**9 195**	8 474
Superannuation	**1 017**	964
Payroll tax	**553**	554
Annual leave	**4**	42
Long service leave	**366**	430
Board fees	**85**	91
Other employee related expenses	**157**	223
Total Employee Benefits	**11 377**	10 778

Remuneration of Employees	**2008**	2007
The number of employees whose remuneration received or receivable falls within the following bands:	**Number of Employees**	Number of Employees
$130 000 - $139,999	**2**	1
$150 000 - $159 999	**-**	1
$170 000 - $179 999	**1**	-
Total Number of Employees	**3**	2

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and other salary sacrifice benefits. The total remuneration received by these employees for the year was $448 000 ($290 000).

Targeted Voluntary Separation Packages (TVSPs)

There were no Targeted Voluntary Separation Packages paid to employees during 2007-08 or 2006-07.

6. Remuneration of Board Members

Members that were entitled to receive remuneration for membership during the 2007-08 financial year were:

Libraries Board

Dr P Goldsworthy
Mr P Myhill
Mr G E Coles
Mrs J Nitschke
Ms H Nichols* (appointed 17 April 2008)
Ms B S Davidson-Park
Mr J Mc Donnell
Mr T Zappia (retired 26 October 2007)
Ms A Short
Mrs F Adler

The number of board members whose remuneration received or receivable falls within the following bands:	**2008 Number of Board Members**	2007 Number of Board Members
$0 - $9 999	**2**	2
$10 000 - $19 999	**8**	8
Total Number of Board Members	**10**	10

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 these board members for the year was $96 000 ($103 000).

Amounts paid to a superannuation plan for board members was $8000 ($8000).

* In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board duties during the financial year.

Unless otherwise disclosed, transactions between board 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.

7. Supplies and Services

	2008	2007
Supplies and Services provided by Entities external to the SA Government:	**$'000**	$'000
Administration expenses	**540**	488
Preservation activities	**146**	99
Reference materials	**124**	174
Conservation	**7**	6
Consultants' fees	**47**	85
Contractors' fees	**68**	101
Entertainment	**4**	22
Communications	**929**	859
Information technology	**489**	404
Maintenance	**204**	239
Marketing and promotion	**261**	533
Materials	**898**	18
Minor equipment purchases and leasing materials	**567**	233
Operating lease expenditure	**391**	380
P2 enhancements	**82**	55
Travel and accommodation	**72**	61
Projects	**78**	4
Other	**365**	324
Total Supplies and Services - Non-SA Government Entities	**5 272**	4 085
Supplies and Services provided by Entities within the SA Government:		
Administration expenses	**50**	69
Business services charge	**306**	400
Artlab conservation	**194**	165
EDS charges	**223**	497
Insurance and risk management	**163**	179
Communications	**21**	44
Information technology	**85**	64
Maintenance	**138**	129
Motor vehicle expenses	**34**	33
Other	**97**	119
Total Supplies and Services - SA Government Entities	**1 311**	1 699
Total Supplies and Services	**6 583**	5 784

Payments to Consultants

The number and dollar amount of consultancies paid/payable that fell within the following bands:	2008 Number	2008 $'000	2007 Number	2007 $'000
$0 - $9 999	**2**	**9**	3	8
$10 000 - $49 999	**1**	**38**	1	20
Above $50 000	**-**	**-**	1	57
Total Paid/Payable to the Consultants Engaged	**3**	**47**	5	85

8. Accommodation and Facilities

	2008	2007
Accommodation and Facilities Provided by Entities external to the SA Government:	**$'000**	$'000
Accommodation	**526**	545
Facilities	**258**	291
Securities	**365**	394
Total Accommodation and Facilities - Non-SA Government Entities	**1 149**	1 230
Accommodation and Facilities Provided by Entities within the SA Government:		
Accommodation	**217**	211
Facilities	**419**	351
Security	**1**	2
Total Accommodation and Facilities - SA Government Entities	**637**	564
Total Accommodation and Facilities	**1 786**	1 794

9. Depreciation and Amortisation

	2008	2007
Buildings and improvements	**1 551**	1 551
Compactus and lifts	**78**	77
Plant and equipment	**162**	187
Computer equipment	**103**	91
Intangibles	**5**	-
Public Library Research Collections	**95**	357
Total Depreciation and Amortisation	**1 994**	2 263

10. Net Loss from the Disposal of Non-Assets

	2008 $'000	2007 $'000
Public Library Collections:		
Proceeds from disposal	-	-
Net book value of assets disposed	475	178
Net Loss from Disposal of Plant and Equipment	**(475)**	(178)
Investments:		
Proceeds from the sale of investments	760	620
Net book value of investments	690	602
Net Gain on Sale of Investments	**70**	18
Total Assets:		
Total proceeds from disposal	760	620
Total net book value of assets disposed	1 165	780
Total Net Loss from Disposal of Non-current Assets	**(405)**	(160)

11. Fees and Charges

	2008 $'000	2007 $'000
Fees and charges received/receivable from Entities external to the SA Government		
Fees for services	14	21
Microfilming services	225	172
Photocopying services	102	138
Other fees and charges	104	123
Total Fees and Charges - Non-SA Government Entities	**445**	454
Fees and charges received/receivable from Entities within the SA Government		
Fees for services	291	200
Recoveries	893	-
Other fees and charges	17	14
Total Fees and Charges - SA Government Entities	**1 201**	214
Total Fees and Charges	**1 646**	668

12. Interest and Investment Income

	2008 $'000	2007 $'000
Interest from entities within the SA Government	347	263
Investment income from entities external to the SA Government	519	839
Total Interest and Investment Income	**866**	1 102

13. Other Income

	2008 $'000	2007 $'000
Other income received/receivable from Entities external to the SA Government:		
Sponsorships	57	15
Salary recoups	42	-
Other receipts	132	84
Total Other Income - Non-SA Government Entities	**231**	99
Other income received/receivable from Entities within the SA Government:		
Salary recoups	18	7
Other receipts	3	20
Total Other Income - SA Government Entities	**21**	27
Total Other Income	**252**	126

14. Auditor's Remuneration

	2008 $'000	2007 $'000
Audit fees paid/payable to the Auditor-General's Department:		
State Library of South Australia	27	26
Support of Public Library Services	9	9
Total Audit Fees - SA Government Entities	**36**	35

Other Services

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

15. Receivables

	2008 $'000	2007 $'000
Current:		
Receivables	164	186
Accrued income	114	140
Total Receivables	**278**	326
Government/Non-Government Receivables:		
Receivables from non-SA Government Entities:		
Receivables	115	120
Accrued income	91	121
Total Receivables - Non-SA Government Entities	**206**	241
Receivables from SA Government Entities:		
Receivables	49	66
Accrued income	23	19
Total Receivables - SA Government Entities	**72**	85
Total Receivables	**278**	326

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. It is not anticipated that counter parties 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 to Note 27.
(b) Categorisation of financial instruments and risk exposure information - refer to Note 27.

16. Investments

	2008	2007
Investments with Entities other than SA Government Financing Authority:	**$'000**	$'000
Unit trusts	**3 713**	3 735
Direct investments	**3 515**	3 331
Total Investments	**7 228**	7 066

The market value of the unit trust investments as at 30 June 2008 was $3.5 million ($3.9 million). The market value of the direct investments as at 30 June 2008 was $3.5 million ($3.9 million).

17. Property, Plant and Equipment

	2008	2007
Land, Buildings and Improvements:		
Land at valuation	**7 900**	5 635
Buildings and improvements at valuation	**67 418**	58 123
Accumulated depreciation	**(20 097)**	(16 031)
Total Land, Buildings and Improvements	**55 221**	47 727
Compactus and Lifts:		
Compactus and lifts at cost (deemed fair value)	**2 322**	2 322
Accumulated depreciation	**(386)**	(308)
Total Compactus and Lifts	**1 936**	2 014
Plant and Equipment:		
Plant and equipment at cost (deemed fair value)	**1 726**	1 556
Accumulated depreciation	**(1 085)**	(998)
Total Plant and Equipment	**641**	558
Computer Equipment:		
Computer equipment at cost (deemed fair value)	**758**	467
Accumulated depreciation	**(357)**	(279)
Total Computer Equipment	**401**	188
Public Library Collections:		
Public library collections at valuation	**2 648**	6 746
Public library collections at cost	**166**	25
Accumulated depreciation	**(2 482)**	(6 010)
Total Public Library Collections	**332**	761
Total Property, Plant and Equipment	**58 531**	51 248

Valuation of Non-Current Assets

The valuation of land, buildings and improvements was performed by the AVO as at 30 June 2008. The valuation of the Public Library collections was performed by Skilmar Systems Pty Ltd as at 30 June 2006.

Reconciliation of Non-Current Assets

The following table shows the movement of non-current assets during 2007-08.

2008

	Land $'000	Buildings and Improve-ments $'000	Compactus and Lifts $'000	Plant and Equipment $'000	Computer Equipment $'000
Carrying amount at 1 July	5 635	42 092	2 014	558	188
Additions	-	-	-	245	316
Disposals	-	-	-	-	-
Depreciation	-	(1 551)	(78)	(162)	(103)
Revaluation increment	2 265	6 780	-	-	-
Carrying Amount at 30 June	7 900	47 321	1 936	641	401

	Public Library Collections $'000	**Tangible Assets Total $'000**	Computer Software $'000	**Intangible Assets Total $'000**
Carrying amount at 1 July	761	**51 248**	14	**14**
Additions	141	**702**	-	**-**
Disposals	(475)	**(475)**	-	**-**
Depreciation	(95)	**(1 989)**	(5)	**(5)**
Revaluation increment	-	**9 045**	-	**-**
Carrying Amount at 30 June	332	**58 531**	9	**9**

18. Intangible Assets

	2008	2007
Intangibles:	**$'000**	$'000
Computer Software	**14**	14
Accumulated amortisation	**(5)**	-
Total Intangibles	**9**	14

19. Research and Heritage Collections

	2008			2007		
	At Valuation	**At Cost**	**Total**	At Valuation	At Cost	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Rare books and named collections	**19 173**	**51**	**19 224**	19 173	26	19 199
Maps	**1 197**	**20**	**1 217**	1 197	10	1 207
Mortlock audio-visual	**84**	**11**	**95**	84	6	90
Microfilm serials	**1 519**	**72**	**1 591**	1 519	35	1 554
Monographs	**16 609**	**393**	**17 002**	16 609	182	16 791
Electronic resources	**5**	**340**	**345**	5	192	197
Family history collection	**124**	**8**	**132**	124	4	128
Periodicals	**4 125**	**383**	**4 508**	4 125	201	4 326
Newspapers purchased	**781**	**197**	**978**	781	91	872
Mortlock use collections	**90**	**28**	**118**	90	12	102
Private archives	**-**	**22**	**22**	-	1	1
Total Research and Heritage Collections	**43 707**	**1 525**	**45 232**	43 707	760	44 467

The valuation of the research and heritage collections was performed by the AVO as at 30 June 2006.

Reconciliation of Carrying Amounts of Research and Heritage Collections

	Balance 01.07.07	Additions	**Balance 30.06.08**	Balance 01.07.06	Additions	Balance 30.06.07
	$'000	$'000	**$'000**	$'000	$'000	$'000
Rare books and named collections	19 199	25	**19 224**	19 173	26	19 199
Maps	1 207	10	**1 217**	1 197	10	1 207
Mortlock audio-visual	90	5	**95**	84	6	90
Microfilm serials	1 554	37	**1 591**	1 519	35	1 554
Monographs	16 791	211	**17 002**	16 609	182	16 791
Electronic resources	197	148	**345**	5	192	197
Family history collection	128	4	**132**	124	4	128
Periodicals	4 326	182	**4 508**	4 125	201	4 326
Newspapers purchased	872	106	**978**	781	91	872
Mortlock use collections	102	16	**118**	90	12	102
Private archives	1	21	**22**	-	1	1
Total Carrying Amounts of Research and Heritage Collections	44 467	765	**45 232**	43 707	760	44 467

20. Payables

	2008	2007
Current:	**$'000**	$'000
Creditors and accruals	**755**	830
Employee on-costs	**165**	160
Total Current Payables	**920**	990
Non-Current:		
Employee on-costs	**196**	190
Total Non-Current Payables	**196**	190
Total Payables	**1 116**	1 180
Government/Non-Government Payables:		
Payables to Non-SA Government Entities:		
Creditors and accruals	**693**	764
Total Payables - Non-SA Government Entities	**693**	764
Payables to SA Government Entities:		
Creditors and accruals	**62**	66
Employee on-costs	**361**	350
Total Payables - SA Government Entities	**423**	416
Total Payables	**1 116**	1 180

Interest Rate and Credit Risk

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

(a) Maturity analysis of payables - refer to Note 27.
(b) Categorisation of financial instruments and risk exposure information - refer to Note 27.

21. *Employee Benefits*

	2008	2007
Current:	**$'000**	$'000
Annual leave	**561**	567
Short-term long service leave	**392**	346
Accrued salaries and wages	**207**	169
Total Current Employee Benefits	**1 160**	1 082
Non-Current:		
Long-term long service leave	**2 106**	1 990
Total Non-Current Employee Benefits	**2 106**	1 990
Total Employee Benefits	**3 266**	3 072

The total current and non-current employee expenses (ie aggregate employee benefits plus related on-costs) for 2007-08 are $1.3 million and $2.3 million respectively.

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has not changed from the 2007 benchmark (6.5 years).

22. Provisions

	2008	2007
Current:	**$'000**	$'000
Provision for workers compensation	**74**	62
Total Current Provisions	**74**	62
Non-Current:		
Provision for workers compensation	**191**	169
Total Non-Current Provisions	**191**	169
Total Provisions	**265**	231
Carrying amount at 1 July	**231**	177
Increase in provision recognised	**34**	54
Carrying Amount at 30 June	**265**	231

23. Other Non-Current Liabilities

Contract security deposit	**10**	10
Total Other Non-Current Liabilities	**10**	10

24. Unrecognised Contractual Commitments

Operating Lease Commitments

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

Not later than one year	**112**	388
Later than one year and not later than five years	**107**	159
Total Operating Lease Commitments	**219**	547

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 the Consumer Price Index;
- 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;
- non-cancellable photocopier 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.

Public Libraries Commitments

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

	2008	2007
	$'000	$'000
Not later than one year	**1 368**	1 288
Total Public Libraries Commitments	**1 368**	1 288

Capital Commitments

There were no capital commitments under contracts for 2007-08 or 2006-07 as at the reporting date.

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:

	2008 $'000	2007 $'000
Not later than one year	**449**	302
Later than one year and not later than five years	**900**	696
Total Remuneration Commitments	**1 349**	998

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 and cleaning.

	2008	2007
Not later than one year	**644**	643
Later than one year and not later than five years	**256**	912
Total Other Commitments	**900**	1 555

Contingent rental 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 for another 12 months.

25. Contingent Assets and Liabilities

There are no known contingent assets and liabilities as at 30 June 2008.

26. Cash Flow Reconciliation

Reconciliation of Cash

For the purposes of the Cash Flow Statement, cash includes cash on hand and at bank. Cash as at 30 June as shown in the Cash Flow Statement is reconciled to the items in the Balance Sheet as follows:

	2008 $'000	2007 $'000
Deposits with Treasurer	**3 694**	3 765
Cash on hand	**8**	8
Total Cash and Cash Equivalents	**3 702**	3 773

Interest Rate Risk

Cash is recorded at its nominal amount. 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 Deposit Account titled the 'Libraries Board'. Deposits with the Treasurer are bearing a floating interest rate between 6.17 percent and 7.09 percent.

Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services	2008 $'000	2007 $'000
Net cash provided by operating activities	**1 162**	1 878
Less: Revenues from SA Government	**(29 612)**	(27 486)
Add (Less) Non-cash items:		
Depreciation and amortisation of property, plant and equipment and intangibles	**(1 994)**	(2 263)
Gain on redemption of investments	**70**	18
Loss on disposal of plant and equipment	**(475)**	(178)
Donations of heritage assets	**39**	17
Changes in Assets and Liabilities:		
(Decrease) Increase in receivables	**(97)**	198
Decrease in inventories	**(14)**	(15)
Increase in investments	**324**	412
Decrease (Increase) in payables	**982**	(948)
Increase in employee benefits	**(194)**	(299)
Increase in provisions	**(34)**	(54)
Net Cost of Providing Services	**(29 843)**	(28 720)

27. Financial Instruments/Financial Risk Management

Categorisation of Financial Instruments

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

		2008		2007	
Financial Assets	Note	**Carrying Amount $'000**	**Fair Value $'000**	Carrying Amount $'000	Fair Value $'000
Cash:					
Cash	26	**3 702**	**3 702**	3 773	3 773
Receivables:					
Receivables(1)	15	**278**	**278**	326	326
Investments:					
Investments	16	**7 228**	**6 986**	7 066	7 871

Categorisation of Financial Instruments (continued)

		2008		2007	
		Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities	Note	**$'000**	**$'000**	$'000	$'000
Financial liabilities at cost:					
Payables(1)	20	**1 116**	**1 116**	1 180	1 180
Other	23	**10**	**10**	10	10

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, audit 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 employee on-costs, which are determined via reference to the employee benefit liability to which they relate.

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 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 to any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer to Note 15 for information on the allowance for impairment in relation to receivables.

The following table discloses the ageing of financial assets, past due, including impaired assets past due.

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**
2008	**$'000**	**$'000**	**$'000**	**$'000**
Not Impaired:				
Receivables	**258**	**19**	**1**	**278**
2007				
Not Impaired:				
Receivables	319	5	2	326

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

Maturity Analysis of Financial Assets and Liabilities	**Contractual Maturity**			
	Carrying Amount	**Less than 1 Year**	**1-5 Years**	**More than 5 Years**
2008	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets:				
Cash	**3 702**	**3 702**	**-**	**-**
Receivables	**278**	**278**	**-**	**-**
Investments	**7 228**	**-**	**-**	**7 228**
Total Financial Assets	**11 208**	**3 980**	**-**	**7 228**
Financial Liabilities:				
Payables	**1 116**	**920**	**196**	**-**
Other	**10**	**-**	**-**	**10**
Total Financial Liabilities	**1 126**	**920**	**196**	**10**
2007				
Financial Assets:				
Cash	3 773	3 773	-	-
Receivables	326	326	-	-
Investments	7 066	-	-	7 066
Total Financial Assets	11 165	4 099	-	7 066
Financial Liabilities:				
Payables	1 180	990	190	-
Other	10	-	-	10
Total Financial Liabilities	957	914	43	10

28. Events After Balance Date

There were no events occurring after balance date.

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 to Note 1 of the financial report.

Guarantee by the Treasurer

Liabilities incurred or assumed by the Authority in pursuance of the LGFA Act are guaranteed by the Treasurer under subsection 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

Subsection 31(1)(b) of the PFAA, provides for the Auditor General to audit the accounts of a public authority. In addition, subsection 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

Subsection 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 those controls are consistent with the prescribed elements of the FMF as required by TI 2.

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 2007-08, areas of review included:

- Board of Trustee minutes
- management reporting and budgetary control
- investments and interest income
- loans and advances and interest income
- deposit, borrowings and interest expense
- derivatives and interest income and expense
- operating expenses and salaries.

An understanding of internal audit activities has been obtained in order to identify and assess the risk of material misstatement of the financial report and to design and perform audit procedures. Use has been made of the work performed by internal audit in assessing the compliance with the provisions of the Risk Policy of the Authority.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

The following is an extract from the 2007-08 Independent Auditor's Report which details the qualification to the Authority's financial report.

> ***Basis For Qualified Auditor's Opinion***
>
> *The Local Government Finance Authority of South Australia (the Authority) recognised a grant payment made during the year ended 30 June 2007 as a distribution from Retained Profits in the Statement of Changes in Equity.*
>
> *Subsection 22(2) of the* Local Government Finance Authority Act 1983 *empowers the Authority to apply 'surplus funds' for the benefit of Local Government. The Authority has interpreted the distribution of 'surplus funds' as a distribution from retained profits.*
>
> *In my opinion, whilst the Act empowers the Authority to apply 'surplus funds' to make such payments, it does not consider nor specify the accounting treatment to be applied to such payments for financial reporting purposes.*
>
> *Further, in my view the grant payment represents an expense item as defined by the AASB Framework for the Preparation and Presentation of Financial Statements and the Accounting Policy Framework as issued by the Department of Treasury and Finance, and does not represent a distribution of equity. In accordance with AASB 101 Presentation of Financial Statements, the grant payment should be reflected as an expense in the Income Statement and not as a distribution from retained profits in the Statement of Changes in Equity for the year ended 30 June 2007.*
>
> *As a result, 2007 comparative expenses are understated by $250 000 and the following 2007 comparative items are overstated in the Income Statement:*
>
> - *Profit before Income Tax Equivalents by $250 000*
> - *Income Tax Equivalent Expense by $75 000*
> - *Net Profit after Income Tax Equivalents by $175 000.*
>
> ***Qualified Auditor's Opinion***
>
> *In my opinion, except for the effects of the matter referred to in the preceding paragraphs, the financial report presents fairly, in all material respects, the financial position of the Local Government Finance Authority of South Australia as at 30 June 2008, and 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*, the* Local Government Finance Authority Act 1983 *and Australian Accounting Standards (including the Australian Accounting Interpretations).*

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 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

The audit of the financial management and accounting and control operations of the Authority revealed satisfactory results. As such there were no matters of a financial control nature that were formally raised with the Authority for attention.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

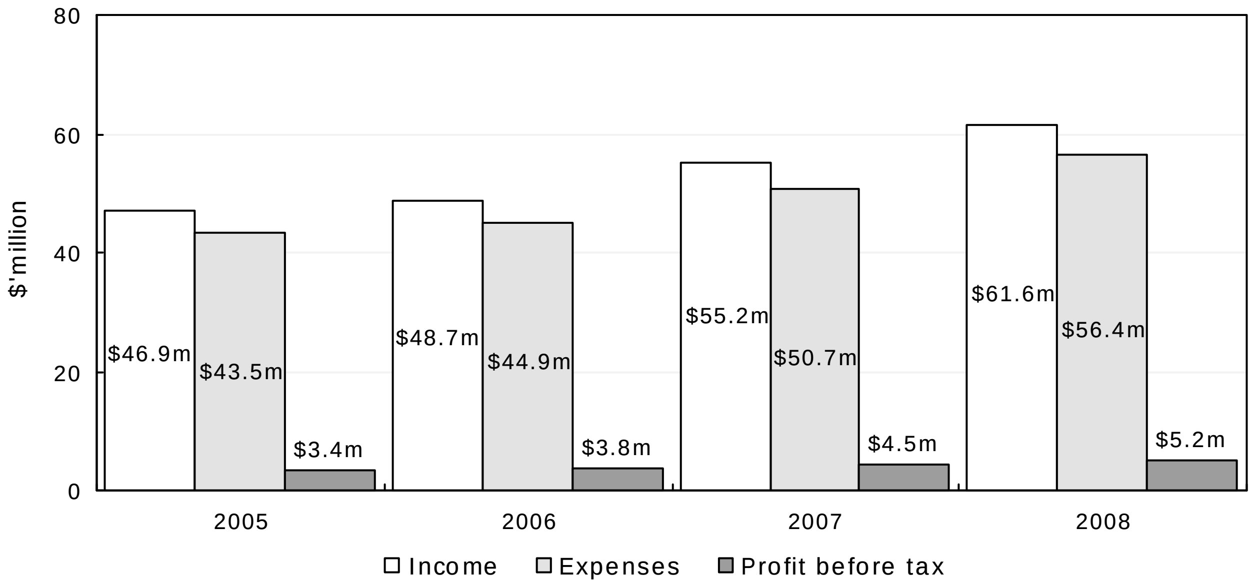
The analysis that follows is based upon the financial information recorded within the financial report which is subject to a qualification.

Highlights of the Financial Report

	2008 $'million	2007 $'million	Percentage Change
INCOME			
Interest income	**61.6**	55.2	12
EXPENSES			
Interest expense	**54.0**	48.4	12
Guarantee fee and administration expenses	**2.4**	2.3	5
Total Expenses	**56.4**	50.7	11
Net Profit after Income Tax Equivalents	**3.7**	3.2	16
NET CASH PROVIDED BY OPERATING ACTIVITIES	**4.6**	3.3	39
ASSETS			
Net loans and advances	**434.2**	448.4	(3)
Other assets	**40.9**	27.2	50
Total Assets	**475.1**	475.6	-
LIABILITIES			
Deposits and borrowings	**412.0**	415.7	(1)
Other liabilities	**10.7**	8.7	23
Total Liabilities	**422.7**	424.4	-
EQUITY	**52.4**	51.2	2

Income Statement

The following chart shows the income, expenses and profit before income tax expense for the four years to 2008.



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 for both investments and loans and advances has shown a gradual upward trend. Total interest income has increased by $6.4 million from the previous year.

The increase in interest income in 2008 reflects increases in general interest rates during the period. This has been offset slightly by the minor decrease in the average balance of investments and loans and advances.

Expenses

The Authority's main operating expense is interest expense with guarantee fees and administration expenses being less significant. Total interest expense has increased by $5.6 million from the previous year.

The increase in interest expense in 2008 reflects increases in the average balance of deposits and increases in interest rates.

Profit Before Tax

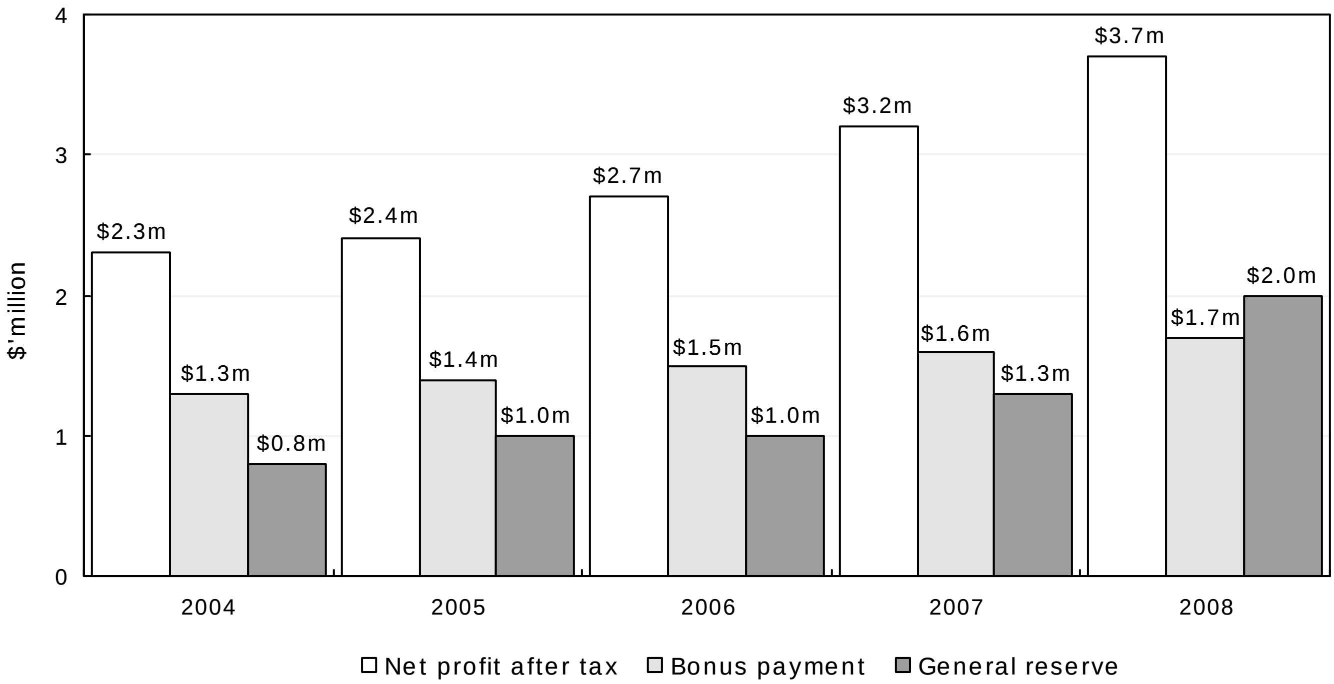
Profit before tax increased by $711 000 (16 percent) in 2008 due to an interest income increase of $6.4 million while interest expense only increased by $5.6 million. That reflects increases in general interest rates and some increases in the average balances of deposits. The sensitivity of profit to interest rate movements is disclosed in Note 23.

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 the '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 Local Government in accordance with section 31A of the LGFA Act. For this financial year, the amount payable for income tax equivalent was $1.5 million.

Net Profit and Distributions

In 2007-08 the Authority achieved a profit before tax of $5.2 million ($4.5 million) and a net profit after tax of $3.7 million ($3.2 million) which was available for appropriation. The net profit and principal distributions from the total profit available for appropriation for the past five years are presented in the following chart.



Under subsection 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 statements. In 2007-08 $1.7 million ($1.6 million) was provided for bonus payments.

Balance Sheet

Assets and Liabilities

The Balance Sheet shows assets of $475 million and liabilities of $423 million at 30 June 2008 which is comparable with corresponding amounts of $476 million and $424 million at 30 June 2007.

Certain specific movements in assets and liabilities were:

- an increase in the asset — Cash and Liquid assets of $7 million from $742 000 due to increased deposits received from Councils and Local Government Bodies
- a decrease in the asset — Net Loans and Advances made to Councils and Local Government Bodies of $14 million (3 percent) due to the maturing of loans and advances
- an increase in the asset — Derivatives of $8 million (40 percent) due a change in the fair value adjustment of the underlying financial instruments. Details are provided in Note 11 to the financial statements
- an increase in the liability — Deposits from Councils and Local Government bodies of $12 million (3 percent)
- a decrease in the liability — Borrowings of $16 million (28 percent) due to the liquidity position of the Authority and stage of the borrowing cycle at balance date.

Asset Quality

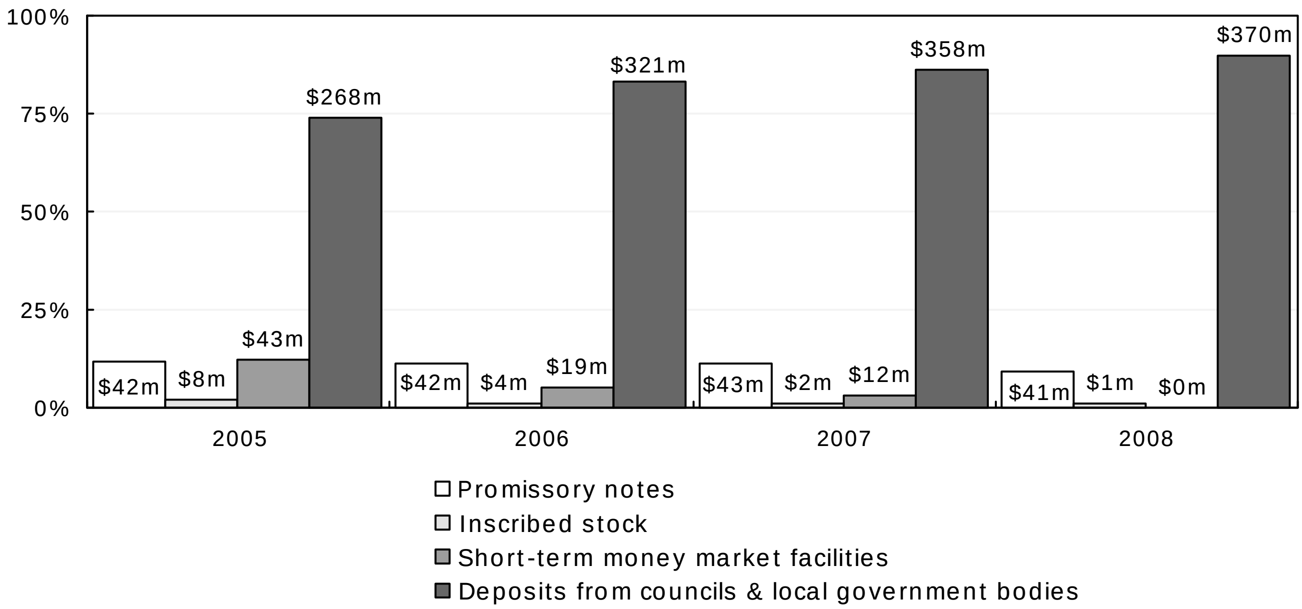
The Authority predominantly lends to councils and local government bodies on a secured basis. The security is by debentures providing a charge over the Council's general revenue. Notes 2(g) and 23(c) to the financial statements explain the details.

The Authority has not experienced defaults or losses associated with those loans. Consequently there is no provision for doubtful debts against the assets.

As disclosed in Note 23(b)(ii) the Authority holds investments issued by Australian banks known as Floating Rate Capital Notes. These investments are traded on the Australian Stock Exchange and for accounting purposes are classified as available for sale assets. The global contraction in credit markets experienced in 2007-08 resulted in a fall in the market price of these investments as at 30 June 2008. In accordance with AASB 139, the relevant accounting standard for financial assets, the investment is carried at fair value and the unrealised reduction in fair value of $716 000 is taken to Equity. See also the Statement of Changes in Equity and Notes 2(b) and 8.

Liabilities of the Authority

The following chart displays the variations in the composition of major liabilities over the four years to 2008. Accrued interest payable, provisions and other liabilities have been excluded from the analysis.



The chart highlights the trend in the composition of the Authority's liabilities.

During recent years, the Authority has placed more reliance on the funding of loans to Councils via deposits lodged by Councils. Put simply, the Authority borrows short-term to take advantage of low interest rates and lends long-term.

Interest rate exposures are hedged through the use of interest rate swap agreements and futures contracts. The fixed side of the 'swap' is organised so that the Authority achieves a small interest profit margin on each loan. On the variable side of the 'swap', the Authority receives from its derivative financial institution, the 90 day bank bill swap rate which covers the interest paid to Councils for deposits at the at call rate.

Therefore, any movements in interest rates are hedged allowing the Authority to achieve a small interest rate margin. Note 23(b)(i) to the financial statements refers to interest rate risk management of the Authority.

General Reserve and Equity

The Authority appropriated $2 million from total profit available for appropriation to the General Reserve, resulting in a balance as at 30 June 2007 of $52.4 million.

Total equity of the Authority amounted to $52.4 million as compared to total assets of $475 million. The equity comprises the General Reserve of $52.4 million and Retained Profits of $671 000 offset by the negative Investment Reserve of ($700 000) arising from unrealised fair value movements discussed under the heading 'Asset Quality'. The earlier produced chart under 'Net Profit and Distributions' demonstrates the policy of regularly appropriating a significant portion of the net profit to the General Reserve ($6.1 million over the five years to 30 June 2008).

The total equity is invested in financial securities and in loans and advances. Equity has no corresponding cost of capital and generates investment returns. These returns provide a buffer for the Authority against unforeseen unfavourable impacts on revenues and expenses and the investment returns from equity account for a significant portion of net profit each year.

Cash Flow Statement

The following table summarises the net cash flows for the four years to 2008.

	2008	2007	2006	2005
	$'million	$'million	$'million	$'million
Net Cash Flows				
Operations	**4.6**	3.3	2.7	2.8
Investing	**7.8**	(30.0)	(25.3)	(11.2)
Financing	**(5.2)**	27.4	22.0	8.9
Change in Cash	**7.2**	0.7	(0.6)	0.5
Cash at 30 June	**7.9**	0.7	-	0.6

Income Statement
for the year ended 30 June 2008

		2008	2007
INCOME:	Note	**$'000**	$'000
Interest on investments	2(c),3	**6 310**	4 021
Interest on loans and advances	2(c)	**55 291**	51 183
Other income	4	**72**	70
Total Income		**61 673**	55 274
EXPENSES:			
Interest on deposits from councils and local government bodies	2(d)	**28 075**	22 331
Interest on borrowings	2(d),24	**25 902**	26 043
Fees for the guarantee of the Treasurer of SA on liabilities	24	**944**	862
Administration expenses	5	**1 504**	1 501
Total Expenses		**56 425**	50 737
PROFIT BEFORE INCOME TAX EQUIVALENTS		**5 248**	4 537
Income tax equivalent expense	2(e),24	**1 574**	1 361
NET PROFIT AFTER INCOME TAX EQUIVALENTS IS ATTRIBUTABLE TO OWNERS		**3 674**	3 176

Balance Sheet
as at 30 June 2008

		2008	2007
ASSETS:	Note	**$'000**	$'000
Cash and liquid assets	6	**7 881**	742
Accrued interest receivable	7	**2 031**	1 711
Investment securities	2(f),8	**3 343**	5 171
Other assets	9	**912**	347
Net loans and advances	2(g),10	**434 196**	448 399
Derivatives	2(h),11	**26 413**	18 891
Property, plant and equipment	2(i),12	**301**	309
Total Assets		**475 077**	475 570
LIABILITIES:			
Deposits from councils and local government bodies	2(j),13	**370 434**	358 123
Accrued interest payable	14,24	**7 404**	5 711
Borrowings	15,24	**41 602**	57 605
Provisions	2(k),16	**2 963**	2 692
Other liabilities	17	**303**	286
Total Liabilities		**422 706**	424 417
NET ASSETS		**52 371**	51 153
EQUITY:			
General reserve		**52 400**	50 400
Investment reserve	23(b)(ii)	**(700)**	16
Retained profits		**671**	737
TOTAL EQUITY		**52 371**	51 153
Contingent liabilities	22		

Statement of Changes in Equity
for the year ended 30 June 2008

	General Reserve $'000	Investment Reserve $'000	Retained Profits $'000	Total $'000
BALANCE AT 1 JULY 2006	49 100	(11)	711	49 800
Net gain (loss) in fair value of available for sale assets	-	27	-	27
Profit after income tax equivalent for 2006-07	-	-	3 176	3 176
Grant to Local Government Association of South Australia*	-	-	(250)	(250)
Transfer to bonus payment provision	-	-	(1 600)	(1 600)
Transfer to general reserve	1 300	-	(1 300)	-
BALANCE AT 30 JUNE 2007	50 400	16	737	51 153
Net gain (loss) in fair value of available for sale assets	-	(716)	-	(716)
Profit after income tax equivalent for 2007-08	-	-	3 674	3 674
Transfer to bonus payment provision	-	-	(1 740)	(1 740)
Transfer to general reserve	2 000	-	(2 000)	-
BALANCE AT 30 JUNE 2008	**52 400**	**(700)**	**671**	**52 371**

* The grant to Local Government Association of South Australia paid during the year was an appropriation of profit for local government purposes as enabled by the *Local Government Finance Authority Act 1983* section 22(2)(c).

Cash Flow Statement
for the year ended 30 June 2008

	Note	2008 Inflows (Outflows) $'000	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest and bill discounts received		**60 835**	53 848
Interest paid		**(52 532)**	(47 166)
Fees paid re guarantee provided by the Treasurer of SA		**(940)**	(861)
Cash payments to suppliers and employees		**(1 365)**	(1 350)
Fees received		**71**	70
Income tax paid		**(1 465)**	(1 221)
Net Cash provided by Operating Activities	19	**4 604**	3 320
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from loans to councils and local government bodies		**6 775**	(29 904)
Proceeds from investment securities		**1 100**	-
Payments for property, plant and equipment		**(195)**	(196)
Proceeds from sale of property, plant and equipment		**98**	90
South Australian Government Financing Authority		**-**	17
Net Cash provided by (used in) Investing Activities		**7 778**	(29 993)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of inscribed stock		**(1 203)**	(1 946)
Repayment of promissory notes		**(3 200)**	1 500
Deposits from councils and local government bodies		**12 311**	37 406
Short-term money market facilities		**(11 600)**	(7 250)
Bonus payment to councils and local government bodies		**(1 600)**	(1 475)
Grants to Local Government Association of South Australia		**-**	(250)
Other payments		**49**	(571)
Net Cash (used in) provided by Financing Activities		**(5 243)**	27 414
NET INCREASE IN CASH HELD		**7 139**	741
CASH AT 1 JULY		**742**	1
CASH AT 30 JUNE	19	**7 881**	742

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

The Local Government Finance Authority of South Australia was established pursuant to the *Local Government Finance Authority Act 1983*. The functions of the Authority are as follows:

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

2. Statement of Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable 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 Income Statement, Balance Sheet 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 Cash Flow Statement 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. The Authority classifies certain investment securities (refer Note 2(f)) under this category which are not held-for-trading but are highly liquid if required to be disposed of.

- Financial assets or financial liability at fair value through profit and loss — measured at fair value with fair value changes taken to the Income Statement. The Authority classifies derivative instruments which are not defined as effective hedging instruments under this category (refer Note 2(h)).

- Fair Value Hedge — measured at fair value using hedge accounting. The Authority classifies derivative instruments which are effective hedging instruments (refer Note 2(h)) and the corresponding hedged items (refer Note 2(g)(ii)) which are all long-term 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 defined as effective hedging instruments (refer Note 2(h)).

(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

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 which are categorised as available-for-sale financial assets which have therefore been recorded at fair value with the change in fair value being adjusted against Equity on the Balance Sheet via the Investment Reserve.

(g) Loans and Advances

(i) Security

The majority of loan agreements are secured by debentures, providing a charge over Council general revenue. Loans to Prescribed Local Government Bodies (totalling $18.7 million as at 30 June 2008) 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.*

(i) *Security (continued)*

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.

(ii) *Hedge Accounting*

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

(h) Derivative Transactions

The Authority has entered into agreements with high credit status organisations to swap certain rights and obligations (refer Note 23 'Financial Risk Management').

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.

(i) 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 to 6.7

(j) Concentration of Deposits

The Local Government Finance Authority of South Australia 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.

(k) Employee Benefits

A provision is made in respect of the Authority's liability for annual leave, long service leave and related on-costs as at balance date. Long service leave is accrued for all employees from the date of commencement of service.

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

(l) Accounting Judgements, Estimates and Assumptions

Significant Accounting Judgements

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

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.

(m) Comparative Information

The presentation and classification of items in the financial report 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 report has been amended, comparative amounts have been reclassified unless reclassification is impracticable. The restated comparative amounts do not replace the original financial report for the preceding period.

(n) Rounding

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

		2008	2007
3.	**Net Gain (Loss) on Disposal of Financial Assets**	**2008**	2007
	Available-for-sale Assets:	**$'000**	$'000
	Proceeds from disposal	**1 137**	-
	Less: Net book value of assets disposed	**1 105**	-
	Net Gain on Disposal of Available-for-Sale Assets	**32**	-
4.	**Other Income**		
	Fee income	**72**	70
5.	**Administration Expenses Comprise**		
	Salaries and on-costs	**794**	789
	Depreciation	**99**	100
	Auditor's fees	**55**	62
	Consultancy fees	**14**	5
	Other expenses	**542**	545
		1 504	1 501
	The amount received, or due and receivable in respect of this financial year by the auditors in connection with auditing the accounts	**55**	62
6.	**Cash and Liquid Assets**		
	Cash at bank	**491**	742
	Deposits at call	**7 390**	-
		7 881	742
7.	**Accrued Interest Receivable***		
	Interest receivable - Loans to councils and local government bodies	**1 811**	1 669
	Interest receivable - Investment securities	**220**	42
		2 031	1 711

* 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.

		2008	2007
8.	**Investment Securities - At Fair Value**		
	Deposits and securities issued by banks	**4 000**	5 100
	Accrued interest receivable	**43**	55
	Fair value (loss) gain	**(700)**	16
		3 343	5 171
9.	**Other Assets**		
	Sundry debtors and prepayments	**912**	347
10.	**Net Loans and Advances**		
	Advances	**31 113**	18 204
	Term loans	**416 706**	436 391
	Loans and Advances - At Cost	**447 819**	454 595
	Fair value adjustment (Hedge accounting)	**(13 623)**	(6 196)
	Net Loans and Advances	**434 196**	448 399
	Commitments - Loans and Advances:		
	Unused cash advance facilities	**164 106**	145 489
	Term loans approved not advanced	**550**	1 970
		164 656	147 459
11.	**Derivatives**		
	Swap principal receivable	**8 563**	9 177
	Interest receivable - Interest rate swaps	**4 252**	3 565
	Interest payable - Interest rate swaps	**(4 136)**	(4 375)
	Fair value adjustment	**17 717**	10 511
	Interest Rate Swaps*	**26 396**	18 878
	Futures contracts	**17**	13
		26 413	18 891

* Interest rate swaps are shown as the net of the fixed rate leg and the floating rate leg.

		2008	2007
12.	**Property, Plant and Equipment**		
	Plant, Equipment and Motor Vehicles:		
	At cost	**984**	963
	Less: Accumulated depreciation	**683**	654
	Total Property, Plant and Equipment	**301**	309

13. Deposits from Councils and Local Government Bodies

	2008	2007
	$'000	$'000
Deposits from councils and local government bodies	**370 434**	358 123

14. Accrued Interest Payable

Interest Payable On:		
Deposits from councils and local government bodies	**6 981**	5 293
Borrowings*	**423**	418
	7 404	5 711

* 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.

15. Borrowings

Short-term money market facilities	**-**	11 600
Promissory notes	**40 400**	43 600
Inscribed stock	**1 202**	2 405
	41 602	57 605

The liabilities of the Authority in respect of all borrowings of the Authority (including its liabilities in respect to monies accepted on deposit from councils and local government bodies) are guaranteed by the Treasurer of South Australia pursuant to section 24 of the *Local Government Finance Authority Act 1983*.

16. Provisions

	2008	2007
	$'000	$'000
Employee benefits	**314**	292
FBT	**15**	15
Bonus payment to councils and local government bodies	**1 740**	1 600
Provision for income tax	**894**	785
	2 963	2 692

Movements of Major Provisions during the Year

(i) Bonus Payment to Councils and Local Government Bodies		
Opening balance 1 July	**1 600**	1 475
Increase in provision	**1 740**	1 600
Amounts paid	**(1 600)**	(1 475)
Closing Balance 30 June	**1 740**	1 600
(ii) Provision for Income Tax		
Opening balance 1 July	**785**	644
Increase in provision	**1 574**	1 361
Amounts paid	**(1 465)**	(1 220)
Closing Balance 30 June	**894**	785

17. Other Liabilities

Sundry creditors	**183**	166
Payments due to South Australian Government Financing Authority	**120**	120
	303	286

18. Superannuation Commitments

The Authority contributes to the Local Government Superannuation Fund, Local Super, in accordance with the rules of that Fund. The Fund provides benefits in the form of lump sum payments for retirement, death, total and permanent disability, and temporary disability.

19. Notes to the Cash Flow Statement

(a) Reconciliation of Cash

Cash at 30 June as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	Note	**2008**	2007
		$'000	$'000
Cash at bank	6	**7 881**	742

(b) Cash Flows Presented on a Net Basis

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

(i) Client deposits and withdrawals
(ii) Sales and purchases of money market securities
(iii) Draw down and repayment of loans and investments
(iv) Fees paid and received.

(c) ***Reconciliation of Net Cash provided by Operating Activities to Net Profit after Income Tax Equivalents***	**2008** **$'000**	2007 $'000
Net Profit after income tax equivalents	**3 674**	3 176
Increase in interest payable	**1 454**	1 217
Increase in interest receivable	**(759)**	(1 339)
Increase in sundry creditors	**17**	(16)
Increase in provisions	**132**	205
Increase in sundry debtors	**(1)**	(2)
Depreciation	**98**	100
Revaluation gain	**(17)**	(26)
Loss on disposal of fixed assets	**6**	5
Net Cash provided by Operating Activities	**4 604**	3 320

20. Related Party Information

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:

Mr Paul Cohen	Mr Anthony Pederick
Mr Hugh Bowers	Ms Wendy Campana
Mr David Posaner	Councillor John Sanderson
Mr Bert Taylor, AM	

Mr Hugh Bowers retired from the Board as at 31 December 2007 and his replacement as the Appointee of the Minister for State/Local Government Relations was pending at the reporting date.

Remuneration, Retirement Benefits and Loans

Board Members are entitled to receive an allowance. Payment of allowances in respect of members appointed by the Minister, Treasurer or Executive Director 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 Treasurer presently does not seek fees and the Appointee of the Minister received fees at the same rate as a Representative member of the Board. The amount payable in respect of the Executive Director of the Local Government Association of South Australia is paid to the Local Government Association of South Australia.

The total amount paid to Board Members for the financial year ended 30 June 2008 was $40 117, which includes salary, superannuation, sacrificed items and associated FBT.

Board Member Related Entities

The Authority had various financial dealings with the following Board Member related entities in the normal course of business proceedings:

Board Member	*Entity*
Mr Anthony Pederick	Forerunner Computer Systems LGCS Pty Ltd
Ms Wendy Campana	Local Government Association of South Australia Local Government Association Workers Compensation Scheme Local Government Association Mutual Liability Scheme Council Purchasing Authority Pty Ltd Local Government Superannuation Scheme LGCS Pty Ltd
Mr David Posaner	Department of Treasury and Finance
Councillor John Sanderson	City of Mitcham
Councillor Bert Taylor, AM	Corporation of the City of Adelaide

All transactions were conducted on a commercial basis and were at arm's length. During Board meetings the relevant interests were declared when necessary.

21. Remuneration of Executives

	2008 **$'000**	2007 $'000
Remuneration received, or due and receivable by executive officers, whose remuneration is $100 000 or more:		
Total remuneration paid to executive officers whose remuneration is $100 000 or more	**546**	515

21. Remuneration of Executives (continued)

The number of executive officers whose remuneration was within the bands:	**2008 Number of Executives**	2007 Number of Executives
$260 000 - $270 000	**1**	-
$250 000 - $260 000	**-**	1
$140 000 - $150 000	**1**	-
$130 000 - $140 000	**1**	1
$120 000 - $130 000	**-**	1

The remuneration comprises salary, employer's superannuation costs including superannuation guarantee charge, motor vehicle package and associated FBT, car parking and associated FBT.

22. Contingent Liabilities

The Authority incurs contingent 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) 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 Workers Rehabilitation and Compensation Corporation of South Australia (WorkCover). 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 2008 the amount guaranteed was $15.994 million.

(b) Performance Bond/Guarantee

(i) Northern Adelaide Waste Management Authority

The Authority has issued a performance bond/guarantee on behalf of the prescribed local government body, Northern Adelaide Waste Management Authority, a regional subsidiary of the City of Playford, Corporation of the Town of Gawler and City of Salisbury in favour of the Environment Protection Authority. As at 30 June 2008 the amount guaranteed was $350 000.

(ii) 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 Land Management Corporation. As at 30 June 2008 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 3 October 2007, 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 a regular Board and other management reporting. An Asset and Liability Committee (ALCO) has been appointed to direct and monitor risk management operations in accordance with the Risk Policy and is accountable to the Board.

(b) Market Risk

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

(i) Interest Rate Risk

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

(a) 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.

(b) *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 the repriced within 90 days of the reporting date.

	2008			2007		
	Principal Balance	**+0.5%**	**-0.5%**	Principal Balance	+0.5%	-0.5%
Variable Risk Financial Assets:	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000
Deposits at call	**7 390**	**37**	**(37)**	-	-	-
Investment securities	**4 000**	**20**	**(20)**	5 100	26	(26)
Advances	**31 113**	**156**	**(156)**	18 204	91	(91)
Variable Rate Financial Liabilities:						
Council deposits	**338 980**	**(1 695)**	**1 695**	327 576	(1 638)	1 638
Short-term money market facilities	**-**	**-**	**-**	11 600	(58)	58
Promissory notes	**40 400**	**(202)**	**202**	43 600	(218)	218
Variable Rate Derivatives:						
Interest rate swaps (notional principle)	**362 355**	**1 812**	**(1 812)**	377 031	1 885	(1 885)
Futures (notional principle/bond formula)	**8 000**	**285**	**(285)**	-	-	-
Profit (Loss) Interest Rate Sensitivity		**413**	**(413)**		88	(88)

(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. The sub-prime loan crisis in the United States and the subsequent global contraction in credit markets have impacted on the market price of these investments.

(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 matter.

2008	**A1+**	**A1**	**A+**	**A**	**BBB+**	**NR**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and liquid assets	**7 881**	**-**	**-**	**-**	**-**	**-**	**7 881**
Investment securities	**-**	**-**	**2 000**	**-**	**2 000**	**-**	**4 000**
Net loans and advances	**-**	**-**	**-**	**-**	**-**	**447 819**	**447 819**
Derivatives	**-**	**-**	**-**	**31 400**	**-**	**894**	**32 294**
	7 881	**-**	**2 000**	**31 400**	**2 000**	**448 713**	**491 994**

(ii) Loans and Advances (continued)

2007	A1+ $'000	A1 $'000	A+ $'000	A $'000	BBB+ $'000	NR $'000	Total $'000
Cash and liquid assets	-	742	-	-	-	-	742
Investment securities	-	-	2 000	1 100	2 000	-	5 100
Net loans and advances	-	-	-	-	-	454 595	454 595
Derivatives	-	-	-	24 020	-	326	24 346
	-	742	2 000	25 120	2 000	454 921	484 783

(d) Liquidity Risk

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

The Authority has a State Government Guarantee covering all liabilities which enables it to borrow funds as required from the financial markets at favourable rates. In order to cover seasonal shortfalls in funding the Authority has access to short-term borrowing arrangements with the South Australian Government Financing Authority (SAFA) and a major Trading Bank. The Authority also has the ability to issue promissory notes directly to the financial markets utilising it's AAA credit rating.

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:

2008 Non-Derivative Financial Liabilities:	**Carrying Amount $'000**	**Contracted Cash Flows $'000**	**0 - 3 Months $'000**	**3 - 12 Months $'000**	**1 - 5 Years $'000**	**More than 5 Years $'000**
Deposits from Councils and Local Government bodies	**377 415**	**(377 415)**	**(345 961)**	**(12 965)**	**(18 489)**	**-**
Borrowings	**42 027**	**(42 465)**	**(41 270)**	**(895)**	**(300)**	**-**
Other liabilities	**303**	**(334)**	**(183)**	**(9)**	**(142)**	**-**
Derivative Financial Liabilities:						
Interest rate swaps - Outflow	**340 168**	**(480 839)**	**(11 464)**	**(50 913)**	**(206 984)**	**(211 478)**
Interest rate swaps - Inflow	**(366 564)**	**521 972**	**17 955**	**50 560**	**224 259**	**229 198**

2007 Non-Derivative Financial Liabilities:	Carrying Amount $'000	Contracted Cash Flows $'000	0 - 3 Months $'000	3 - 12 Months $'000	1 - 5 Years $'000	More than 5 Years $'000
Deposits from Councils and Local Government bodies	363 416	(363 416)	(332 869)	(4 731)	(25 816)	-
Borrowings	58 023	(58 516)	(56 071)	(1 198)	(1 247)	-
Other liabilities	286	(326)	(166)	(9)	(151)	-
Derivative Financial Liabilities:						
Interest rate swaps - Outflow	361 658	(500 268)	(11 601)	(52 041)	(209 169)	(227 457)
Interest rate swaps - Inflow	(380 536)	543 366	17 147	49 600	228 598	248 021

24. Transactions with South Australian Government

The following transactions were undertaken during the financial year between the Authority and the SA Government:	Note	**2008 $'000**	2007 $'000
Promissory notes	15	**40 400**	43 600
Inscribed stock	15	**1 202**	2 405
Interest payable - Promissory notes		**410**	382
Interest payable - Inscribed stock		**12**	25
Interest paid - Promissory notes		**2 846**	2 632
Interest paid - Inscribed stock		**175**	331
Fees for the guarantee of the Treasurer of SA on liabilities		**944**	862
Income tax expense relating to ordinary activities		**1 574**	1 361

25. Investment in Associate

LGCS Unit Trust No. 1 is incorporated in Australia and the principal activities of the business are the provision of shared services to local government. The audited financial statements of LGCS Unit Trust No. 1 have provided the following summarised information:

	2008 $'000	2007 $'000
Revenues from Ordinary Activities	**949**	1 140
Net Profit	**103**	200
Total Assets	**743**	201
Total Liabilities	**1 154**	715
Net Assets	**(411)**	(514)
Total Equity	**(411)**	(514)

25. Investment in Associate (continued)

As at 30 June 2008 the Authority held a 50 percent ownership of the LGCS Unit Trust No. 1 in the form of 50 000 fully paid one dollar units. As the Authority does not control the Unit Trust but exercises significant influence, the Trust is accounted for using the equity method under AASB 128. As at 30 June 2008 the Authority had equity accounted for $50 000 of the half share of the accumulated losses of LGCS Unit Trust No. 1, leaving a residual loss of $155 651 which has not been recognised from the 30 June 2008 accumulated losses.

26. Net 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 caused the amounts shown as book values to differ from those shown on the Balance Sheet.

From 1 July 2005 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 following methods and assumptions are used to determine the fair values of financial assets and liabilities:

Cash and Liquid Assets

As the assets are at call the carrying amount equates to fair value.

Other Assets

The carrying amount of sundry debtors and prepayments is estimated to approximate fair value.

Investment Securities

The fair value of Floating Rate Capital Notes is based on current market rates as quoted on the Australian Stock Exchange.

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.

Provisions

The carrying amount of provisions is estimated to approximate fair value.

Other Liabilities

The carrying amount of sundry creditors is estimated to approximate fair value. The fair value of payments due to SAFA 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.

Borrowings

The fair value of promissory notes is estimated using discounted cash flow analysis based on current market rates for promissory notes having substantially the same terms and conditions. The fair value of inscribed stock 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 information.

Interest Rate Swaps

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.

Futures Contracts

The fair value is based on current market rates as quoted on the Sydney Futures Exchange.

		2008		2007	
		Book	**Fair**	Book	Fair
	Note	**Value**	**Value**	Value	Value
Financial Assets	2(b)	**$'000**	**$'000**	$'000	$'000
Loans and Receivables:					
Cash and liquid assets		**7 881**	**7 881**	742	742
Other assets		**911**	**911**	347	347
Investment securities		**220**	**220**	42	42
Net Loans and advances		**95 836**	**100 555**	88 408	94 309
Available-for-Sale Financial Assets:					
Investment securities		**3 343**	**3 343**	5 171	5 171
Fair Value Hedge:					
Net loans and advances		**340 168**	**340 168**	361 658	361 658

Futures Contracts (continued)

		2008		2007	
	Note	**Book Value**	**Fair Value**	Book Value	Fair Value
Financial Liabilities	2(b)	**$'000**	**$'000**	$'000	$'000
Financial Liabilities at Amortised Cost:					
Deposits from councils and prescribed bodies		**377 415**	**375 608**	363 416	362 704
Provisions		**2 963**	**2 963**	2 692	2 692
Other liabilities		**303**	**302**	286	288
Borrowings		**42 025**	**42 015**	58 022	58 022
Derivative Financial Instruments	2(b)				
Fair Value Hedge:					
Interest rate swaps		**26 396**	**26 396**	18 878	18 878
Financial Assets at Fair Value:					
Futures contracts		**17**	**17**	13	13

LOTTERIES COMMISSION OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

Establishment

The Lotteries Commission of South Australia (the Commission) is a statutory authority established pursuant to the *State Lotteries Act 1966* (the Act) with its principal function being to promote and conduct lotteries for South Australia.

Functions

The functions of the Commission are to administer and promote the following lottery games:

- Monday/Wednesday Lotto
- Oz Lotto
- Powerball
- Saturday Lotto
- Super 66
- The Pools
- Keno
- Instant Scratchies
- Lucky SA
- Special Appeal Lotteries
- Special Lotteries
- Sports Lotteries.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and subsection 18A(2) of the *State Lotteries Act 1966* provide for the Auditor-General to audit the accounts of the Commission for each financial year.

Assessment of Controls

Subsection 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 those controls are consistent with the prescribed elements of the FMF as required by TI 2.

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 statements and internal controls.

During 2007-08, specific areas of audit attention included:

- revenue including gaming revenue and other revenue
- prize payments
- expenditure
- payroll
- fixed assets
- financial assets
- financial accounting
- corporate governance arrangements.

An understanding of internal audit activities has been obtained in order to identify and assess the risks of material misstatement of the financial report and to design and perform audit procedures. Use has been made of the work performed by internal audit in the following areas:

- Fraud detection and prevention
- Gaming system operations
- Draw operations and dividend calculations.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Lotteries Commission of South Australia as at 30 June 2008, and 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 (including the Australian Accounting Interpretations).

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 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 arising during the course of the audit were conveyed in a management letter to the Chief Executive. Audit findings were satisfactory and reflect the operation of a sound control environment by the Commission. Some minor recommendations for control improvement were communicated in the management letter, including sign off of the gaming/general ledger system reconciliation process, improved recording of checks performed of daily gaming activity, and independence in the maintenance and review of changes to the accounts payable system creditors master file.

The Commission positively responded to the control improvements recommended by Audit.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008 $'million	2007 $'million	Percentage Change
INCOME			
Sales	**367**	349	5
Less cost of sales	**(321)**	(306)	5
Other revenue	**8**	8	-
Total Income	**54**	51	6
EXPENSES			
Supplies and services	**15**	14	7
Employee benefit costs	**7**	6	17
Other expenses	**5**	4	25
Total Expenses	**27**	24	13
PROFIT BEFORE INCOME TAX EQUIVALENT	**27**	27	-
Income Tax Equivalent Expenses	**8**	8	-
NET PROFIT AFTER INCOME TAX EQUIVALENT	**19**	19	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	**4**	0.5	n/a
Distribution to the Hospitals Fund and Recreation and Sport Fund	**91**	88	3

	2008 $'million	2007 $'million	Percentage Change
ASSETS			
Current assets	**55**	78	(29)
Non-current assets	**7**	13	(46)
Total Assets	**62**	91	(32)
LIABILITIES			
Current liabilities	**31**	58	(47)
Non-current liabilities	**8**	7	14
Total Liabilities	**39**	65	(40)
EQUITY	**23**	26	(12)

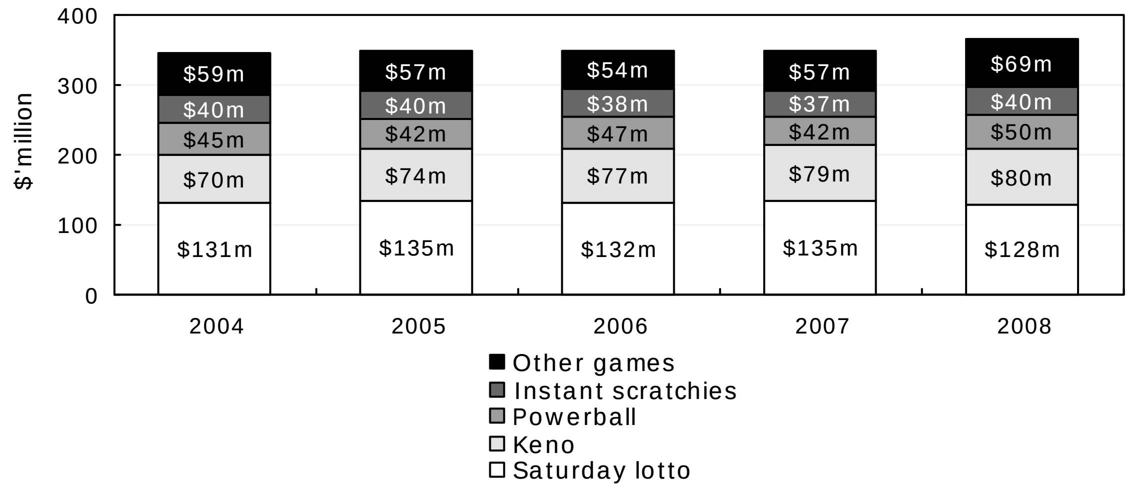
Income Statement

Total income for the year was $53.7 million, an increase of $3.1 million from the previous year. This increase predominantly reflects an increase in sales revenue of $17.3 million and an increase in the cost of sales of $14.9 million.

The increase in sales revenue is predominantly due to a number of jackpots during the year for Oz Lotto and Powerball resulting in increased sales revenue of $12.5 million and $8 million respectively.

Saturday Lotto sales were $128 million, Keno sales were $80 million and Powerball sales were $50 million, representing 35 percent, 22 percent and 14 percent of total sales respectively. These games remain the main individual revenue sources.

A structural analysis of sales revenue generated by the lottery products provided by the Commission in the five years to 2008 is presented in the following chart.



Expenses

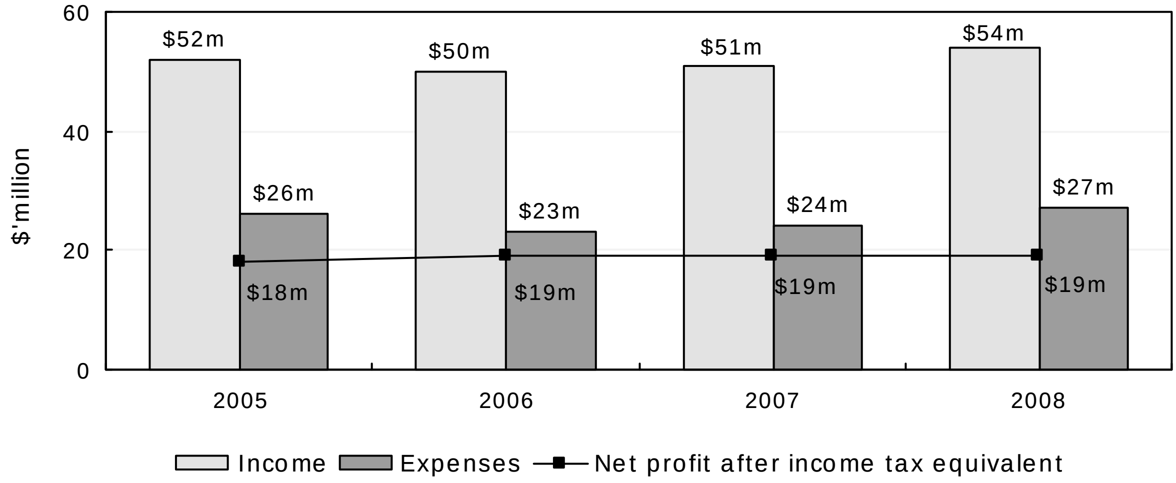
Operating expenses increased by $3.3 million to $26.9 million as a result of:

- an increase in employee benefits expenses of $834 000. This increase reflects the impact of the Enterprise Bargaining wage increase and the movement in the net assets of the Commission's superannuation scheme (refer Note 9)
- an increase in supplies and services of $816 000 of which $525 000 relates to increased advertising and marketing costs and $212 000 relates to increased consultancy costs associated mainly with the replacement on-line lotteries system
- a $1.5 million expense associated with writing off redundant non-current assets.

Net Profit after Income Tax Equivalent

The Net Profit after Income Tax Equivalent has remained stable over the last few years. In 2007-08 the net profit decreased by $100 000 to $18.8 million.

The following chart shows the income, expenses and net profit after income tax equivalent for the four years to 2008.

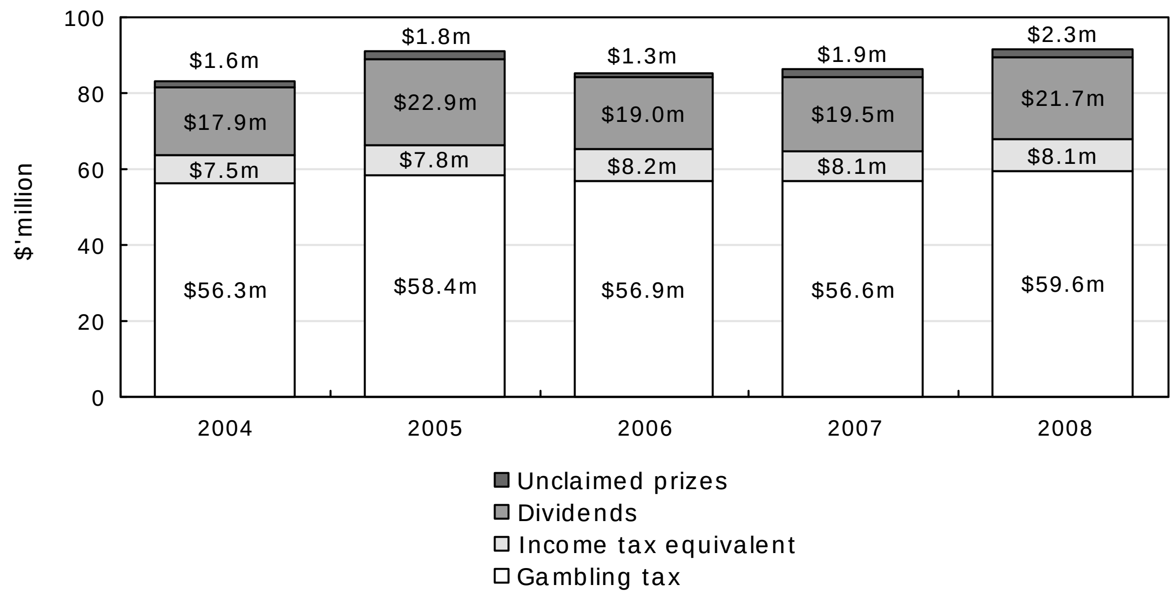


Distributions to Government

The Commission makes payments to the Government in accordance with the requirements of the *State Lotteries Act 1966* and the TIs which are detailed in Notes 2(u) and 27 to the financial statements. Essentially these payments comprise a gambling tax, an income tax equivalent payment, a dividend and a percentage of unclaimed prizes.

In 2007-08 the distribution provided for government amounted to $91.7 million, an increase of $5.6 million over the previous year. This reflects an increase in payments relating to gambling tax of $3 million and an increase in the dividend payment of $2 million.

The following chart shows an analysis of the distributions provided to government over the five years to 2008.



Balance Sheet

Current assets decreased by $23.6 million and current liabilities decreased by $26.7 million in 2007-08. The balances at 30 June 2007 recognised a receivable from the lotto bloc and a prize payable with respect to a South Australian winner of a $25 million Oz Lotto prize won on 19 June 2007. The prize had not been paid to the winner and settlement not received from interstate Bloc members as at 30 June 2007.

Non-current assets decreased by $5.1 million to $7.4 million of which $4.6 million relates to a decrease in the value of property, plant and equipment. The decrease reflects:

- the disposal of components of the on-line lotteries system totalling $1.5 million
- depreciation and amortisation expense of $3.3 million.

Cash Flow Statement

The following table summarises the net cash flows for the five years to 2008.

	2008	2007	2006	2005	2004
	$'million	$'million	$'million	$'million	$'million
Net Cash Flows					
Operations	**3.7**	0.5	6	1.2	2.6
Investing	**(0.7)**	(1.5)	(0.9)	3.2	(0.6)
Financing	**(0.6)**	(1.7)	(1.6)	(1.5)	(1.5)
Change in Cash	**2.4**	(2.7)	3.5	2.9	0.5
Cash at 30 June	**51**	49	52	48	45

The cash balance at 30 June represents retained earnings and funds held to meet the Commission's liability for unpaid prizes ($11.2 million), unclaimed prizes ($6.7 million), the prize reserve fund ($6.8 million) and distributions owed to the Government ($7.9 million).

Income Statement
for the year ended 30 June 2008

	Note	**2008**	2007
		$'000	$'000
INCOME:			
Sales revenue	6	**366 583**	349 246
Less cost of sales	7	**321 003**	306 145
Gross Margin		**45 580**	43 101
Interest revenue		**3 628**	3 083
Other revenues	8	**4 517**	4 404
Total Income		**53 725**	50 588
EXPENSES:			
Employee benefits expenses	9	**7 080**	6 246
Supplies and services	10	**14 876**	14 060
Depreciation and amortisation expense	11	**3 346**	3 201
Loss on disposal of non-current assets	12	**1 542**	-
Borrowing costs		**11**	95
Total Expenses		**26 855**	23 602
PROFIT BEFORE INCOME TAX EQUIVALENT		**26 870**	26 986
Income tax equivalent expense		**8 061**	8 096
NET PROFIT AFTER INCOME TAX EQUIVALENT		**18 809**	18 890

Net profit after income tax equivalent is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2008

	Note	2008	2007
CURRENT ASSETS:		**$'000**	$'000
Cash and cash equivalents	14	**51 360**	48 980
Receivables	15	**2 600**	28 571
Inventories		**504**	473
Total Current Assets		**54 464**	78 024
NON-CURRENT ASSETS:			
Property, plant and equipment	16	**6 767**	11 321
Intangible assets	17	**105**	143
Other non-current assets	18	**542**	1 082
Total Non-Current Assets		**7 414**	12 546
Total Assets		**61 878**	90 570
CURRENT LIABILITIES:			
Payables	19	**22 468**	48 697
Short-term borrowings	20	**-**	554
Short-term employee benefits	21	**731**	731
Other current liabilities	22	**8 230**	8 155
Total Current Liabilities		**31 429**	58 137
NON-CURRENT LIABILITIES:			
Payables	19	**52**	28
Long-term borrowings	20	**-**	6
Long-term employee benefits	21	**685**	669
Other non-current liabilities	22	**6 705**	5 829
Total Non-Current Liabilities		**7 442**	6 532
Total Liabilities		**38 871**	64 669
NET ASSETS		**23 007**	25 901
EQUITY:			
Funds retained for capital purposes		**636**	636
Reserves		**22 371**	25 265
Retained earnings		**-**	-
TOTAL EQUITY		**23 007**	25 901

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	24
Contingent assets and liabilities	25

Statement of Changes in Equity
for the year ended 30 June 2008

	Funds Retained for Capital Purposes $'000	Asset Revaluation Reserve $'000	Building Maint-enance Reserve $'000	Capital Asset Reserve (Note 23) $'000	Keno Prize Reserve $'000	Retained Earnings $'000	Total $'000
BALANCE AT 30 JUNE 2006	636	7 871	94	16 263	1 241	-	26 105
Profit after income tax equivalent for 2006-07	-	-	-	-	-	18 890	18 890
Transfers:							
From retained earnings	-	-	-	2 000	1 421	(3 421)	-
To retained earnings	-	-	-	(1 541)	(2 466)	4 007	-
Gain on revaluation of property in 2006-07 (Note 16)	-	382	-	-	-	-	382
Dividend contribution to SA Government	-	-	-	-	-	(19 476)	(19 476)
BALANCE AT 30 JUNE 2007	636	8 253	94	16 722	196	-	25 901
Profit after income tax equivalent for 2007-08	-	-	-	-	-	18 809	18 809
Transfers:							
From retained earnings	-	-	-	2 000	1 274	(3 274)	-
To retained earnings	-	(2 779)	-	(1 929)	(1 460)	6 168	-
Dividend contribution to SA Government	-	-	-	-	-	(21 703)	(21 703)
BALANCE AT 30 JUNE 2008	**636**	**5 474**	**94**	**16 793**	**10**	**-**	**23 007**

All changes in equity are attributable to SA Government as owner

Cash Flow Statement
for the year ended 30 June 2008

	Note	**2008 Inflows (Outflows) $'000**	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Receipts from customers		**339 870**	321 658
Interest received		**3 555**	3 053
GST recoveries from the ATO		**450**	419
Cash generated from Operations		**343 875**	325 130
CASH OUTFLOWS:			
Prizes paid		**(217 631)**	(206 227)
Payments to suppliers and employees (excluding GST)		**(20 548)**	(20 137)
GST payments to ATO		**(9 534)**	(8 938)
GST payments on purchases		**(1 501)**	(1 533)
Interest paid		**(22)**	(125)
Distribution to the Hospitals Fund and Recreation and Sport Fund:			
Gambling tax	27	**(59 816)**	(56 998)
Dividends	27	**(20 298)**	(20 258)
Unclaimed prizes	27	**(1 925)**	(1 964)
Distribution to the Hospitals Fund for income tax equivalent	27	**(8 930)**	(8 416)
Cash used in Operations		**(340 205)**	(324 596)
Net Cash provided by Operating Activities	26	**3 670**	534
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		**-**	5
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(710)**	(1 437)
Purchase of intangible assets		**(20)**	(145)
Net Cash used in Investing Activities		**(730)**	(1 577)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayment of borrowings		**(560)**	(1 690)
Net Cash used in Financing Activities		**(560)**	(1 690)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2 380**	(2 733)
CASH AND CASH EQUIVALENTS AT 1 JULY		**48 980**	51 713
CASH AND CASH EQUIVALENTS AT 30 JUNE	26	**51 360**	48 980

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of SA Lotteries

The Lotteries Commission of South Australia (SA Lotteries) commenced operations on 15 May 1967 with the primary function of promoting and conducting lotteries in South Australia in accordance with the provisions of the *State Lotteries Act 1966*.

2. Summary of Significant Accounting Policies

(a) Statement of Compliance

The financial report is a general purpose financial report. The financial report has been prepared in accordance with applicable AASs and TIs and APSs promulgated under the provisions of the PFAA.

AASs include AIFRS. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by SA Lotteries for the reporting period ending 30 June 2008. Refer Note 3.

(b) Basis of Preparation

The preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying SA Lotteries' 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, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature.

  (b) Expenses incurred as a result of engaging consultants (the term 'Consultant' is defined in APF II, APS 4.6).

  (c) Employee TVSP information.

  (d) Employees whose normal remuneration is $100 000 or more (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.

SA Lotteries' Income Statement, Balance Sheet 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 Cash Flow Statement has been prepared on a cash basis.

The financial report has been prepared based on a 12 month operating cycle and is presented in Australian currency.

The accounting policies set out below have been applied consistently in preparing the financial report for the year ended 30 June 2008 and the comparative information presented for the year ended 30 June 2007.

(c) Reporting Entity

The financial report covers SA Lotteries as an individual reporting entity. SA Lotteries was established by the *State Lotteries Act 1966*. The reporting entity comprises the Lotteries Commission of South Australia only.

(d) Comparative Information

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or AAS have required a change.

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

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

(e) Rounding

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

(f) Taxation

Tax Equivalent Regime

In accordance with TI 22, SA Lotteries is required to pay to the State Government an income tax equivalent. The income tax liability is based on the State Taxation Equivalent Regime, which applies the accounting profit method. This requires that the corporate income tax rate be applied to the net profit. The current income tax equivalent liability (included in undistributed funds liability) relates to the income tax equivalent expense outstanding for the current period.

Tax Equivalent Regime (continued)
SA Lotteries is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalent and local government rate equivalent.

GST
SA Lotteries, as a gambling operator, is required to pay GST of one eleventh of net gambling revenue (NGR), defined as gross sales less total monetary prizes, 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 Balance Sheet.

Cash flows are included in the Cash Flow Statement 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 and Expenses

Income and expense are recognised to the extent that 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.

Note 30 discloses income, expenses, financial assets and financial liabilities 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:

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

- Sales revenue for Saturday Lotto, Monday/Wednesday Lotto, Oz Lotto, Powerball, Keno, Super 66, The Pools and Lucky SA Lottery is recognised as at the date of the draw or competition. For these games, sales revenue as at 30 June for draws or competitions subsequent to that date is treated as sales in advance. Sales revenue for Instant Scratchies is recognised daily.

- Interest revenue is recognised on a time proportionate basis as it accrues, taking into account the effective yield on the financial asset.

- Revenues from services, fees and charges are derived from the provision of goods and services predominantly to agents. This revenue is recognised upon delivery of the goods or services to the recipients.

Expenses
Employee benefits expenses include all costs related to employment, including salaries and leave entitlements. These are recognised when incurred. Recognition of superannuation expenses is described in Note 2(y).

Supplies and services generally represent the day-to-day running costs, including maintenance and occupancy costs, incurred in the normal operations of SA Lotteries. These items are recognised as an expense in the reporting period in which they are incurred.

All borrowing costs are recognised as an expense.

The net loss on disposal of non-current assets is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings.

(h) Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. SA Lotteries 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.

(i) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet and Cash Flow Statement includes cash on hand, deposits held at call and other short-term, highly liquid investments that are readily converted to cash, and are used in the cash management function on a day-to-day basis.

Short-term deposits are held with the South Australian Government Financing Authority (SAFA) in At Call Deposit and Cash Management Fund accounts. Interest is earned at a minimum of SAFA's overnight at call deposit rate. The deposits principally reflect funds available for unclaimed prizes and for distribution to the Hospitals Fund and the Recreation and Sport Fund.

Cash is measured at nominal value.

(j) Receivables

Receivables include amounts receivable from agents and other parties, prizes receivable from Blocs, 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.

Agents Debtor and Sundry Receivables

Agents debtor and sundry receivables are generally receivable within 7 days and 14 days respectively and are carried at amounts due.

Collectability of agents debtor and 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 SA Lotteries will not be able to collect the debt. Bad debts are written off when identified.

Prizes Receivable from Blocs

Saturday Lotto, Monday/Wednesday Lotto, Oz Lotto, Powerball, Super 66 and The Pools are games supported by inter-jurisdictional prize pooling arrangements. State 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.

(k) Inventories

Inventories are held for distribution and include Instant Scratchies tickets, on-line coupons, ticket rolls, and ribbons.

Inventories are measured at the lower of actual cost or their net realisable value.

(l) Non-Current Asset Acquisition and Recognition

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.

Componentisation of the on-line lotteries system (a complex asset) has been performed as the asset's fair value at the time of acquisition was greater than $1 million.

(m) Revaluation of Non-Current Assets

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

SA Lotteries obtains an independent valuation 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.

SA Lotteries has taken the exemption available under APF III APS 3.10 to take asset revaluation adjustments to the asset revaluation reserve on a class basis rather than an individual asset basis.

(n) Impairment

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

(o) Depreciation and Amortisation of Non-Current Assets

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

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

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

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

Land is not depreciated.

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

Class of Assets	*Estimated Useful Life*
Buildings	20 years
Plant and equipment	3 - 10 years
On-Line Lotteries System	1.5 - 4.25 years
Leasehold improvements	10 years
Intangibles (software)	3 years

(p) 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. SA Lotteries only has intangible assets with finite lives.

(q) Payables

Payables include creditors, accrued expenses, prizes payable, undistributed funds (owing to SA Government), and employment on-costs.

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 SA Lotteries.

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 to lottery operators in other States participating in inter-jurisdictional prize pooling arrangements. State lottery operators have formed Blocs to conduct the games of Saturday Lotto, Monday/Wednesday Lotto, Oz Lotto, Powerball, Super 66 and The Pools.

Amounts payable for prizes won in South Australia are generally available for settlement 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 type games are normally settled 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.

Employment On-Costs

Employment on-costs include superannuation contributions, payroll tax and workers compensation, with respect to outstanding liabilities for salaries, long service leave and annual leave. Employment on-costs are settled when the respective employee benefit that they relate to is discharged.

(r) Borrowings

Borrowings are brought to account at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of creditors and accrued expenses. No borrowing costs have been capitalised in the financial period.

The carrying amount for borrowings approximates fair value.

(s) 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 and Sick Leave

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

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. No salaries or annual leave are expected to be payable later than 12 months.

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

Long Service Leave

The liability for long service leave is recognised after an employee has completed 6.5 years of service based on an actuarial assessment performed by the Department of Treasury and Finance.

An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with SA Lotteries' experience of employee retention and leave taken.

The portion of the long service leave provision classified as current represents the amount that may be expected to be paid as leave taken or paid on termination of employment during SA Lotteries' normal operating cycle.

(t) Unclaimed Prizes Reserve

Other than a prize in a Special Appeal Lottery (Note 2 (v)), 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 SA Lotteries and transferred to the Unclaimed Prizes Reserve. Subsection 16C(4) of the *State Lotteries Act 1966* requires SA Lotteries to pay:

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

The balance in the Reserve is applied by SA Lotteries 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 SA Lotteries that they are a winner of a prize in a lottery conducted by SA Lotteries, despite the fact that a prize has been forfeited to SA Lotteries, the winning ticket has been lost or destroyed or a notice of a claim for the prize has not been complied with in accordance with the Lotteries Rules.

Ex-gratia payments are charged to the Unclaimed Prizes Reserve. Subsequent payments to either the Hospitals Fund or Recreation and Sport Fund are reduced by an amount equivalent to 50 percent of the ex-gratia payment, depending on the game played.

(u) Distribution of Funds to Government

In accordance with subsection 16(3) of the *State Lotteries Act 1966*, SA Lotteries 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(v)), 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.

As detailed in Note 2(f), SA Lotteries is required to make tax equivalent payments as a result of the application of the tax equivalent regime. In recognition of the provisions of the *State Lotteries Act 1966*, and in accordance with 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 percent on NGR in respect of all lotteries conducted by SA Lotteries except sports lotteries and special lotteries;

(u) Distribution of Funds to Government (continued)

(ii) an income tax equivalent payment (calculated on the accounting profits method), recorded as an expense item in the Income Statement;

(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.

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 27.

(v) Special Appeal Lotteries

With effect from 30 April 2007, the *State Lotteries Act 1966*, was amended to facilitate the conduct of Special Appeal Lotteries for approved state-based causes and disasters. The beneficiary(s), as approved by the Minister, receive the net proceeds less GST on NGR plus unclaimed prizes in respect of the Special Appeal Lotteries.

No Special Appeal Lotteries were conducted during the financial year.

(w) Foreign Currency

Exchange differences arising up to the date of purchase are included in the measurement of the purchase and are reported in the Income Statement.

(x) Operating Leases

SA Lotteries has an accommodation lease agreement for its Head Office premises at 24-25 Greenhill Road, Wayville and an operating lease agreement for a remote computer site at Kidman Park. 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 Income Statement 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.

(y) Superannuation

SA Lotteries has an established superannuation plan for its employees, being the Lotteries Commission of South Australia Superannuation Plan (the Plan), which is a sub-plan 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 SA Lotteries and SA Lotteries' 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 18 July 2008.

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 Income Statement.

The superannuation expense of the defined benefit 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 recognised in the Balance Sheet represents the surplus 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.

SA Lotteries also contributes to other externally managed superannuation plans. These contributions are expensed when they fall due and SA Lotteries' obligation is limited to these contributions.

(z) Funds Retained for Capital Purposes

SA Lotteries has retained funds which represent the historical cost of the investment in land and buildings at 24-26 Payneham Road, Stepney.

(aa) Reserves

Asset Revaluation Reserve

This reserve was established to record increments and decrements in relation to the revaluation of land and buildings and the on-line lotteries system.

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 on-line lotteries system hardware and software, and the purchase of other non-current assets.

Keno Prize Reserve
This reserve was established to meet Keno Spot 10 prizes. The reserve is funded from retained earnings at the rate of 23.32 percent of all Keno Spot 10 net sales (being gross sales less agents' commission) through SA Lotteries' agents and ACTTAB Limited. To the extent possible, the value of the Keno Spot 10 prize won is transferred from the reserve to retained earnings returned to the Hospitals Fund as a dividend.

(ab) Unrecognised Contractual Commitments
Commitments include those from operating and capital commitments arising from contractual sources and are disclosed at their nominal value.

(ac) Insurance
SA Lotteries has arranged, through SAICORP 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.

3. Changes in Accounting Policies
The AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by SA Lotteries for the reporting period ending 30 June 2008. SA Lotteries 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 report of SA Lotteries.

4. Related Party
SA Lotteries is controlled by the SA Government. Transactions and balances between SA Lotteries and related parties (ie other SA Government controlled entities) are disclosed in Note 30.

5. Segment Reporting Information
SA Lotteries' business operations are conducted in the one main business and geographical segment - selling lottery games within the economic environment of South Australia.

SA Lotteries has not established any partnership, body corporate or trust to carry out any function of its business operations.

6. Sales Revenue

	Note	2008 $'000	2007 $'000
Saturday Lotto		**128 336**	135 042
Monday/Wednesday Lotto		**31 782**	32 607
Oz Lotto		**34 709**	22 234
Powerball		**49 972**	42 034
Keno		**79 506**	78 523
Instant Scratchies		**39 929**	37 139
Super 66		**1 108**	1 149
The Pools		**581**	518
Lucky SA		**660**	-
Total Sales Revenue		**366 583**	349 246

Sales revenue includes agents' commission.

7. Cost of Sales

Prizes		**221 283**	211 236
Gambling tax on net gambling revenue		**59 573**	56 584
Agents' commission		**26 938**	25 779
GST on net gambling revenue		**13 209**	12 546
Total Cost of Sales		**321 003**	306 145

8. Other Revenues

Agents' fees and charges		**3 621**	3 604
Easiplay Club service fees		**355**	338
Sundry		**541**	462
Total Other Revenues		**4 517**	4 404

9. Employee Benefits Expenses

Salaries (including annual leave)		**5 476**	5 234
Long service leave		**119**	167
Employment on-costs - Superannuation contributions	29(j)	**397**	553
Decrease (Increase) in asset for defined benefit superannuation plan	29(e)	**540**	(294)
Employment on-costs - Other		**429**	484
Commission Members' fees		**119**	102
Total Employee Benefits Expenses		**7 080**	6 246

Remuneration of Employees

The table covers all employees who received remuneration of $100 000 or more during the year. Remuneration reflects all costs of employment including salaries, superannuation contributions, FBT, any other salary sacrifice benefits, and payment of leave entitlements on ceasing employment. Employer contributions for employees who are members of the defined benefit section of the SA Lotteries Superannuation Plan have been reduced from 1 July 2007 in accordance with actuarial advice and Commission endorsement.

The number of employees whose remuneration received or receivable falls within the following bands:	**2008 Number of Employees**	2007 Number of Employees
$100 000 - $109 999	**2**	-
$120 000 - $129 999	**1**	2
$130 000 - $139 999	**1**	-
$140 000 - $149 999	**1**	-
$150 000 - $159 999	**-**	1
$170 000 - $179 999	**1**	-
$260 000 - $269 999	**1**	-
$280 000 - $289 999	**-**	1
$290 000 - $299 999	**-**	1
Total Number of Employees	**7**	5

	2008 $'000	2007 $'000
Total remuneration received or receivable by employees whose remuneration was $100 000 or more	**1 049**	990

Commission Members

The following persons held the position of Member of the Lotteries Commission of South Australia for the full financial year unless otherwise stated:

Mr H J Ohff, FIEAust, CPEng, BA (Hons) (Presiding Member)
Ms S J Mackenzie, BComm (Accounting), LLB (Hons)
Mr W R Jackson, BEc, FASA
Mr S K Shirley, BEc, FCA, CPA
Ms A E Lindsay, BA(Hons), LLB(Hons)

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.

The number of Commission members whose remuneration received or receivable falls within the following bands:	**2008 Number of Members**	2007 Number of Members
$0 - $9 999	**-**	2
$10 000 - $19 999	**-**	1
$20 000 - $29 999	**4**	2
$30 000 - $39 999	**1**	1

	2008 $'000	2007 $'000
The total remuneration received or receivable by Commission members	**145**	120

Other Key Management Personnel Transactions

The aggregate amounts recognised during the year relating to key management personnel were as follows:		
Commission Member: Mr S K Shirley		
Transaction: Consulting Fees	**-**	9

During the year ended 30 June 2007 SA Lotteries used the consulting services of Mr S K Shirley in relation to independent accounting and commercial advice to the Commission and such other advice in accordance with his qualifications during the period after the expiration of his term as a Commission Member to his reappointment. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms. No amounts were outstanding at year end.

Related Party Disclosure

All transactions with related parties, including Commission 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.

No Commission Member has entered into a material contract with SA Lotteries since the end of the previous financial year and there were no material contracts involving Commission Members' interests subsisting at the end of the financial year.

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 SA Lotteries.

The compensation of key management personnel included in employee benefits expense is as follows:	**2008 $'000**	2007 $'000
Short-term employee benefits	**860**	951
Post-employment benefits*	**212**	85
Long-term benefits	**13**	16
Total Key Management Personnel Compensation	**1 085**	1 052

* Post-employment benefits include an allocation of the change in the defined benefit superannuation plan asset to key management personnel based on the share of the defined benefit obligation.

TVSPs

No employees were paid TVSPs during the reporting period.

10. Supplies and Services

	Note	**2008 $'000**	2007 $'000
Advertising and marketing		**6 400**	5 875
Computer operations		**2 997**	3 190
Tickets, coupons, terminal rolls and ribbons		**1 464**	1 467
Operating leases		**632**	609
Other occupancy costs		**578**	562
Temporary staff and contractors		**459**	295
Agent distribution costs		**234**	225
Consultancies		**248**	36
Insurance		**121**	145
External audit fees	13	**135**	121
Training costs		**117**	82
Gambling tax - Other		**46**	32
Bad debts		**14**	6
Other		**1 431**	1 415
Total Supplies and Services		**14 876**	14 060

Consultancies

The number and dollar amount of consultancies paid/payable (included in supplies and services) that fell within the following bands:	**2008 Number**	**2008 $'000**	2007 Number	2007 $'000
Below $10 000	**2**	**9**	2	11
$10 000 - $50 000	**1**	**20**	2	25
Above $50 000	**2**	**219**	-	-
Total Paid/Payable to Consultants Engaged	**5**	**248**	4	36

11. Depreciation and Amortisation Expense

	2008 $'000	2007 $'000
Depreciation:		
Buildings	**38**	24
Plant and equipment	**288**	305
On-line lotteries system	**2 719**	2 624
Total Depreciation	**3 045**	2 953
Amortisation:		
Leasehold improvements	**243**	229
Software	**58**	19
Total Amortisation	**301**	248
Total Depreciation and Amortisation Expense	**3 346**	3 201

Change in Depreciation due to Revaluation

SA Lotteries revalued its land and buildings upwards on 30 June 2007. As a result of the revaluation, depreciation on buildings has increased in the current reporting period. Depreciation expense increased by $14 000 as a result of the revaluation.

12. Net Loss on Disposal of Non-Current Assets

	2008 $'000	2007 $'000
Proceeds from disposal	**-**	5
Less: Net book value of assets disposed	**1 542**	5
Net Loss on Disposal of Non-Current Assets	**1 542**	-

13. Auditor's Remuneration

	2008	2007
Audit Services	**$'000**	$'000
Audit fees payable for the financial year	**142**	141
(Over) Under accrual	**(7)**	(20)
External Audit Fees Expense	**135**	121

The Auditor-General's Department is the auditor of SA Lotteries.

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

14. Cash and Cash Equivalents

Bank balances and cash on hand	**(315)**	(377)
Short-term deposits	**51 675**	49 357
Total Cash and Cash Equivalents	**51 360**	48 980

Bank balances comprise unpresented cheques net of outstanding deposits and cash on hand.

Short-term deposits are with SAFA.

Interest Rate Risk
Cash on hand is non-interest bearing. Bank balances and short-term deposits earn a floating interest rate based on daily bank deposit rates. The weighted average interest rate earned was 7 percent (6.21 percent).

Net Fair Values
The carrying amount of cash and cash equivalents represents fair value.

15. Receivables

	2008	2007
	$'000	$'000
Debtor agents	**1 933**	1 565
Prizes receivable from Blocs	**78**	26 389
Sundry receivables	**508**	405
Prepayments	**81**	212
Total Receivables	**2 600**	28 571

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 SA Lotteries at balance date fail to honour their obligations under contract. SA Lotteries minimises its credit risk on debtor agents by undertaking its sales transactions with a large number of agents and requiring those agents to remit outstandings on a twice weekly basis. It is not anticipated that counterparties will fail to discharge their obligations. In addition, there is no concentration of credit risk.

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

16. Property, Plant and Equipment

	2008	2007
Land and Buildings:	**$'000**	$'000
Land at fair value	**700**	700
Buildings at fair value	**650**	650
Accumulated depreciation	**(38)**	-
Total Land and Buildings	**1 312**	1 350
Plant and Equipment:		
Plant and equipment at cost (deemed fair value)	**2 097**	2 388
Accumulated depreciation	**(1 733)**	(1 828)
Total Plant and Equipment	**364**	560
On-line Lotteries System:		
On-line lotteries system at cost (deemed fair value)	**2 506**	2 351
Accumulated depreciation	**(1 277)**	(357)
On-line lotteries system at fair value	**8 619**	10 168
Accumulated depreciation	**(6 442)**	(4 647)
Total On-Line Lotteries System	**3 406**	7 515
Leasehold Improvements:		
Leasehold improvements at cost (deemed fair value)	**2 470**	2 438
Accumulated amortisation	**(785)**	(542)
Total Leasehold Improvements	**1 685**	1 896

16. Property, Plant and Equipment (continued)

Totals	**2008** **$'000**	2007 $'000
Total property, plant and equipment at fair value	**9 969**	11 518
Total property, plant and equipment at cost (deemed fair value)	**7 073**	7 177
Total accumulated depreciation	**(9 490)**	(6 832)
Total accumulated amortisation	**(785)**	(542)
Total Property, Plant and Equipment	**6 767**	11 321

Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment during 2007-08 and 2006-07.

2008

	Land **$'000**	**Buildings** **$'000**	**Plant and Equipment** **$'000**	**Online Lotteries System** **$'000**	**Leasehold Improve-ments** **$'000**	**Total** **$'000**
Carrying amount at 1 July	**700**	**650**	**560**	**7 515**	**1 896**	**11 321**
Additions	**-**	**-**	**92**	**152**	**32**	**276**
Disposals	**-**	**-**	**-**	**(1 542)**	**-**	**(1 542)**
Depreciation and amortisation	**-**	**(38)**	**(288)**	**(2 719)**	**(243)**	**(3 288)**
Carrying Amount at 30 June	**700**	**612**	**364**	**3 406**	**1 685**	**6 767**

2007

	Land $'000	Buildings $'000	Plant and Equipment $'000	Online Lotteries System $'000	Leasehold Improve-ments $'000	Total $'000
Carrying amount at 1 July	560	432	610	8 615	1 980	12 197
Additions	-	-	260	1 524	145	1 929
Disposals	-	-	(5)	-	-	(5)
Revaluation increment	140	242	-	-	-	382
Depreciation and amortisation	-	(24)	(305)	(2 624)	(229)	(3 182)
Carrying Amount at 30 June	700	650	560	7 515	1 896	11 321

Valuation of Property, Plant and Equipment

- The valuation of the 24-26 Payneham Road, Stepney property was performed by Simon Hickin AAPI, Certified Practicing Valuer, an independent valuer from Jones Lang LaSalle, as at 30 June 2007. 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 valuation of the on-line lotteries system was performed by Andrew Lucas, MBA, BAppSc (Val), AAPI, ASA, Certified Practicing Valuer, an independent valuer from Valcorp Australia Pty Ltd, as at 30 June 2005. The valuer arrived at fair value based on market value of items in this group of assets.

The carrying amount of property, plant and equipment that would have been recognised if these assets were stated at cost is:	**2008** **$'000**	2007 $'000
Land and buildings	**368**	379
Plant and equipment	**364**	560
On-line lotteries system	**2 619**	4 747
Leasehold improvements	**1 685**	1 896
Total Carrying Amount of Property, Plant and Equipment that would have been recognised if these Assets were stated at Cost	**5 036**	7 582

Impairment

There were no indications of impairment of property, plant and equipment assets at 30 June 2008.

17. Intangible Assets

Software:		
Software at cost	**182**	162
Accumulated amortisation	**(77)**	(19)
Total Intangible Assets	**105**	143

Reconciliation of Intangible Assets

The following table shows the movement of Intangible Assets during 2007-08 and 2006-07:		
Carrying amount at 1 July	**143**	129
Additions	**20**	33
Amortisation	**(58)**	(19)
Carrying Amount at 30 June	**105**	143

18. Other Non-Current Assets

	Note	2008 $'000	2007 $'000
Defined benefit superannuation plan asset	29(d)	**542**	1 082
Total Other Non-Current Assets		**542**	1 082

19. Payables

	Note	2008	2007
Current:			
Creditors and accrued expenses		**2 663**	2 470
Prizes payable		**11 185**	38 227
GST payable		**652**	688
Undistributed funds	27	**7 881**	7 196
Employment on-costs		**87**	116
Total Current Payables		**22 468**	48 697
Non-Current:			
Employment on-costs		**52**	28
Total Non-Current Payables		**52**	28
Total Payables		**22 520**	48 725

Interest Rate Risk
All payables are non-interest bearing.

Net Fair Values
The carrying amount of payables represents fair values due to the amounts being payable on demand.

20. Borrowings

	2008	2007
Current borrowings	**-**	554
Non-current borrowings	**-**	6
Total Borrowings	**-**	560

SA Lotteries had six loans from the Department of Treasury and Finance, with fixed interest rates ranging from 5.59 percent to 7.21 percent together with a 0.65 percent guarantee fee. The weighted average interest incurred was 6.82 percent (6.24 percent). Loans are recognised at cost. Loans are unsecured and repayable over eight years with six monthly repayments on a credit foncier loan basis.

21. Employee Benefits

	2008 $'000	2007 $'000
Current:		
Annual leave	**447**	337
Short-term long service leave	**155**	156
Accrued salaries	**129**	238
Total Current Employee Benefits	**731**	731
Non-Current:		
Long-term long service leave	**685**	669
Total Non-Current Employee Benefits	**685**	669
Total Employee Benefits	**1 416**	1 400
The total current and non-current employee expenses (ie aggregate employee benefit (above) plus related employment on-costs (Note 19)) is:	**1 555**	1 544

22. Other Liabilities

	2008	2007
Current:		
Prize reserve fund[(a)]	**6 759**	6 813
Unearned revenue - Sales in advance	**1 471**	1 342
Total Current Other Liabilities	**8 230**	8 155
Non-Current:		
Unclaimed prizes reserve[(b)]	**6 705**	5 829
Total Non-Current Other Liabilities	**6 705**	5 829
Total Other Liabilities	**14 935**	13 984

(a) Prize Reserve Fund:

	2008	2007
Balance at 1 July	**6 813**	8 010
Allocated to prize reserve fund	**10 263**	9 832
Applied to additional or increased prizes or missed prizes	**(10 317)**	(11 029)
Balance at 30 June	**6 759**	6 813

22. Other Liabilities (continued)

The Prize Reserve Fund allocation comprises the following percentages of net sales (gross sales revenue less agents' commission) for the following games:

	Percent
Lotto	5.0
Oz Lotto, Powerball and Super 66	3.5
The Pools	2.0

These funds are available for distribution at any time as additional or increased prizes in subsequent lottery draws in the respective games or as prizes in respect of missed prize entries for previous lottery draws.

(b) Unclaimed Prizes Reserve:

	2008 $'000	2007 $'000
Balance at 1 July	**5 829**	5 016
Unclaimed monies forfeited	**4 541**	3 810
	10 370	8 826
Monies provided for distribution to the Hospitals Fund	**(2 270)**	(1 904)
Monies provided for distribution to the Recreation and Sport Fund	**(1)**	(1)
Applied to additional or increased prizes in subsequent lottery draws, tickets and prizes in promotional lotteries or ex-gratia payments	**(1 394)**	(1 092)
Balance at 30 June	**6 705**	5 829

23. Capital Asset Reserve

	2008	2007
Capital asset reserve comprises:		
Capital fund account	**12 170**	10 466
Capital fund assets (at written-down value)	**4 623**	6 256
	16 793	16 722
Capital Fund Account:		
Balance at 1 July	**10 466**	10 428
Transfer from retained earnings	**2 000**	2 000
Assets financed	**(296)**	(1 962)
Balance at 30 June	**12 170**	10 466
Capital Fund Assets:		
Written-down value at 1 July	**6 256**	5 835
Assets financed	**296**	1 962
Depreciation	**(1 927)**	(1 536)
Written-down value of assets disposed of	**(2)**	(5)
Written-down Value at 30 June	**4 623**	6 256

24. Unrecognised Contractual Commitments

Operating Lease Commitments

	2008	2007
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	**712**	689
Later than one year but not longer than five years	**2 502**	2 429
Later than five years	**558**	1 212
Total Operating Lease Commitments	**3 772**	4 330
Representing:		
Non-cancellable Operating Leases	**3 772**	4 330

The 10 year accommodation operating lease at 24-25 Greenhill Road, Wayville (Head office) is non-cancellable with rent payable monthly in advance. Contingent rental provisions within the lease agreement require lease payments to be increased by 3 percent per annum with a rent review after five years. The option for renewal of a further term of five years is available prior to the expiration of the current term.

The operating lease for the remote computer site at Kidman Park is non-cancellable with rental payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by 5 percent per annum.

Other Commitments

	2008 $'000	2007 $'000
Other expenditure contracted for at the reporting date but are not recognised as liabilities in the financial report are payable as follows:		
Within one year	**2 640**	1 238
Later than one year but not longer than five years	**2 383**	2 604
Total Other Commitments	**5 023**	3 842

SA Lotteries' other commitments are for agreements relating to on-line lotteries system software, hardware, communications and associated services and other fixed services.

25. Contingent Assets and Liabilities

SA Lotteries is not aware of any contingent assets.

A claim for damages was received by SA Lotteries on 15 July 2008 for alleged loss of potential winnings. At this time it is not possible to estimate the dollar effect of this claim or whether the claim will be successful.

Other than this claim, SA Lotteries is not aware of any contingent liabilities.

SA Lotteries has made no guarantees.

26. Cash Flow Reconciliation

Reconciliation of Cash and Cash Equivalents:	**2008 $'000**	2007 $'000
Balance Sheet	**51 360**	48 980
Cash Flow Statement	**51 360**	48 980

Reconciliation of Net Profit after Income Tax Equivalent to Net Cash provided by Operating Activities:	**2008 $'000**	2007 $'000
Profit before income tax equivalent	**18 809**	18 890
Less: Dividend contribution provided	**(21 703)**	(19 476)
Less: Unclaimed prizes distribution provided	**(2 271)**	(1 905)
Add (Less): Non-cash items:		
Depreciation and amortisation expense	**3 346**	3 201
Net loss on disposal of non-current assets	**1 542**	-
Decrease (Increase) in defined benefit superannuation plan asset	**540**	(294)
Changes in assets/liabilities:		
Decrease (Increase) in receivables	**25 971**	(27 320)
Increase in inventories	**(31)**	(20)
(Decrease) Increase in payables (including undistributed funds)	**(25 771)**	26 702
Increase in employee benefits	**16**	157
Increase in other liabilities	**3 222**	599
Net Cash provided by Operating Activities	**3 670**	534

27. Distribution of Funds to SA Government

	Note	Balance 01.07.07 $'000	Distribution Provided $'000	Distribution (Paid) $'000	**Balance 30.06.08 $'000**
Gambling tax	7,10	4 992	59 619	(59 816)	**4 795**
Dividend and income tax equivalent		2 067	29 764	(29 228)	**2 603**
Unclaimed prizes		137	2 271	(1 925)	**483**
Totals 2007-08		**7 196**	**91 654**	**(90 969)**	**7 881**
Totals 2006-07		8 739	86 093	(87 636)	7 196
Comprising:					
Distribution to Hospitals Fund:					
Gambling tax		4 980	59 491	(59 687)	**4 784**
Dividend and income tax equivalent		2 058	29 677	(29 140)	**2 595**
Unclaimed prizes		137	2 270	(1924)	**483**
Totals		7 175	91 438	(90 751)	**7 862**
Distribution to Recreation and Sport Fund:					
Gambling tax		12	128	(129)	**11**
Dividend		9	87	(88)	**8**
Unclaimed prizes		-	1	(1)	**-**
Totals		21	216	(218)	**19**

28. Financial Risk Management

SA Lotteries is exposed to a variety of financial risks, market risk (foreign exchange and price), 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 internal written policies approved by the Commission.

SA Lotteries has non-interest bearing assets (cash on hand, receivables and inventories) and liabilities (payables and other liabilities) and interest bearing assets (bank balances and short-term deposits) and interest bearing liabilities (borrowings from SA Government). The maturity of financial assets and liabilities is disclosed separately in the relevant Notes; current items mature in less than 12 months; non-current items mature between one and five years.

SA Lotteries' exposure to foreign exchange risk and cash flow interest risk is minimal. SA Lotteries is exposed to price risk for changes in interest rates that relate to debt obligations and investments at fair value.

28. Financial Risk Management (continued)

SA Lotteries' exposure to credit risk is minimal. SA Lotteries has policies and procedures in place to ensure that transactions occur with agents with appropriate credit history. SA Lotteries has no significant concentration of credit risk.

Liquidity risk arises where an organisation is unable to meet its financial obligations as and when they fall due. SA Lotteries has consistent and stable cash flows from operations, which means its exposure to liquidity risk is minimal. The continued existence of SA Lotteries in its present form, and with its present segment/service, is dependent on State Government policy to maintain SA Lotteries' asset base. SA Lotteries' exposure to liquidity risk is insignificant based on past experience and current expectations regarding risk.

29. Superannuation

	2008 $'000	2007 $'000
(a) Expense (Income) Recognised in the Income Statement		
Amounts recognised as expense (income) in respect of the defined benefit superannuation plan as follows:		
Current service cost	**290**	287
Interest cost	**339**	297
Expected return on plan assets	**(467)**	(416)
Actuarial loss (gain)	**492**	(122)
Superannuation Expense (Income)	**654**	46
The expense (income) is recognised in the following item in the Income Statement:		
Employee benefits expenses	**654**	46
(b) Reconciliation of the Present Value of the Defined Benefit Obligation		
Present value of defined benefit obligation at 1 July	**6 323**	5 852
Current service cost	**290**	287
Interest cost	**339**	297
Contributions by plan participants	**237**	199
Actuarial losses (gains)	**(618)**	533
Benefits paid	**(1 125)**	(769)
Taxes, premiums and expenses paid	**(61)**	(99)
Transfers in	**-**	23
Present Value of Defined Benefit Obligation at 30 June	**5 385**	6 323
(c) Reconciliation of the Fair Value of Defined Benefit Plan Assets		
Fair value of plan assets at 1 July	**7 405**	6 640
Expected return on plan assets	**467**	416
Actuarial gains (losses)	**(1 110)**	655
Employer contributions	**114**	340
Contributions by plan participants	**237**	199
Benefits paid	**(1 125)**	(769)
Taxes, premiums and expenses paid	**(61)**	(99)
Transfers in	**-**	23
Fair Value of Plan Assets at 30 June	**5 927**	7 405

The fair value of Plan assets includes no investments over which SA Lotteries retains ownership control relating to:

- any of SA Lotteries' own financial instruments; or
- any property occupied by, or other assets used by, SA Lotteries.

	2008 $'000	2007 $'000
(d) Reconciliation of the Asset Recognised in the Balance Sheet		
Defined benefit obligation	**5 385**	6 323
Fair value of plan assets	**5 927**	7 405
Surplus	**542**	1 082
Net Superannuation Asset	**542**	1 082
The amount included in the Balance Sheet arising from SA Lotteries' net superannuation asset in respect of its defined benefit plan is as follows:		
Other Non-Current Assets (Note 18):		
Defined Benefit Superannuation Plan Asset	**542**	1 082
(e) Movement in Asset Recognised in the Balance Sheet		
Net superannuation asset at 1 July	**1 082**	788
Income (expense) recognised in Income Statement	**(654)**	(46)
Employer contributions	**114**	340
Net Movement	**(540)**	294
Net Superannuation Asset at 30 June	**542**	1 082

(f) Plan Assets

The percentage invested in each asset class at the Balance Sheet date:	Percentage Invested* **2008** **Percent**	2007 Percent	Plan Assets **2008** **$'000**	2007 $'000
Australian equity	**31**	35	**1 837**	2 592
Overseas equity	**25**	29	**1 482**	2 147
Fixed income	**10**	14	**593**	1 037
Property	**12**	8	**711**	592
Alternative assets**	**10**	-	**593**	-
Cash	**12**	14	**711**	1 037
Total Plan Assets	**100**	100	**5 927**	7 405

* Asset allocation as at 30 June 2008 was not available. The asset allocation at 31 May 2008 has been used as an approximation of the allocation as at the Balance Sheet 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.

The expected rate of return for each asset class at 30 June is as follows:	Expected Rate of Return **2008** **Percent**	2007 Percent
Australian equity	**7.7**	7.7
Overseas equity	**7.2**	7.2
Fixed income	**4.4**	4.4
Property	**6.5**	6.5
Alternative assets	**3.9**	n/a
Cash	**3.9**	3.9
Weighted Average Expected Return	**6.5**	6.5

(h) Actual Return on Plan Assets

	2008 **$'000**	2007 $'000
Actual Return on Plan Assets	**(643)**	1 071

(i) Principal Actuarial Assumptions

The principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):	**2008** **Percent** **Per Annum**	2007 Percent Per Annum
Discount rate (active members)	**5.9**	5.3
Expected rate of return on plan assets (active members)	**6.5**	6.5
Expected salary increase rate	**3.5**	3.5

(j) Contributions

Contributions paid/payable by SA Lotteries to superannuation plans:	**2008** **$'000**	2007 $'000
Defined benefit members	**92**	311
Defined contribution (accumulation) members	**301**	238
Private funds	**4**	4
Total Contributions	**397**	553

(k) Expected Employer Contributions

The estimated employer contributions expected to be paid to the plan during the year beginning after the Balance Sheet date	**86**	88

The estimated employer contributions are based on a contribution rate of four percent of defined benefit members' salaries (see Note 29(m)(ii)).

(l) Historical Information

	2008 **$'000**	2007 $'000	2006 $'000
Present value of defined benefit obligation	**5 385**	6 323	5 852
Fair value of plan assets	**5 927**	7 405	6 640
Surplus (Deficit) in Plan	**542**	1 082	788
Experience adjustments gain (loss) - Plan assets	**(1 110)**	655	566
Experience adjustments gain (loss) - Plan liabilities	**540**	(561)	(170)

(m) Funding Arrangements for Employer Contributions

(i) Surplus (Deficit)

The following is a summary of the most recent financial position of the Commission's Superannuation Plan calculated in accordance with AAS 25.

	As at 30.06.06
Defined Benefit Members:	
Accrued benefits	6 055
Net market value of plan assets	6 658
Net Surplus (Deficit)	603
Accumulation Members:	
Assets and Benefits	1 529

(The Plan is subject to a triennial review and is externally managed. The last full actuarial investigation was conducted as at 30 June 2006 by Stuart Mules, FIAA, of Mercer Human Resource Consulting. The report was dated 18 June 2007.)

(ii) Current Contribution Recommendations

The current contribution recommendations, as set out in the report of the most recent actuarial valuation of the Plan as at 30 June 2006, are:

- From 1 July 2007, either 4 percent of defined benefit members' salaries or a contribution holiday for five years with contributions at 11 percent of defined benefit members' salaries from 1 July 2012.
- At the Superannuation Guarantee rate for accumulation members.

(iii) Funding Method

The method used to determine the employer contribution recommendations at the last actuarial review was the 'target' funding method. The method adopted affects the timing of the cost to SA Lotteries.

Under the 'target' funding method, the employer contribution rate is determined with the aim of maintaining the assets at or close to the value of Accrued Benefits and above the total of the Vested Benefits (leaving service benefits) by a margin sufficient to give security against adverse circumstances.

(iv) Economic Assumptions

The long-term economic assumptions adopted for the last actuarial review of the Plan as at 30 June 2006 were:

	Weighted-Average Assumptions
Expected rate of return on assets (discount rate)	13.3 percent in the 2006-07 year 6.5 percent per annum thereafter
Expected salary increase rate	3.5 percent per annum

(n) Nature of Asset/Liability

SA Lotteries has recognised an asset in the Balance Sheet in respect of its defined benefit superannuation arrangements. If a surplus exists in the Plan, SA Lotteries 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.

SA Lotteries (the employer) may at any time by notice to the Trustee terminate its contributions. In this case the employer has a liability to pay the monthly contributions due prior to the effective date of the notice, but subject to any statutory obligations, there is no requirement for the employer to pay any further contributions, irrespective of the financial condition of the Plan.

The Plan does not impose a legal liability on SA Lotteries to cover any deficit that exists in the Plan if it is wound up. The Master Deed of the Mercer Super Trust and the Participation Agreement of the Plan state that if the Plan winds up, the remaining assets must be paid to Members, Dependants, former Members, deceased Members' Dependants or legal personal representative in proportions the Trustee in its discretion determines are appropriate.

30. Transactions with SA Government

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

30. Transactions with SA Government (continued)

		SA Government		Non-SA Government		Total	
		2008	2007	**2008**	2007	**2008**	2007
INCOME:	Note	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Sales Revenue	6	**-**	-	**366 583**	349 246	**366 583**	349 246
Cost of Sales:	7						
Prizes		**-**	-	**(221 283)**	(211 236)	**(221 283)**	(211 236)
Gambling tax on net gambling revenue		**(59 573)**	(56 584)	**-**	-	**(59 573)**	(56 584)
Agents' commission		**-**	-	**(26 938)**	(25 779)	**(26 938)**	(25 779)
GST on net gambling revenue		**-**	-	**(13 209)**	(12 546)	**(13 209)**	(12 546)
Total Cost of Sales		**(59 573)**	(56 584)	**(261 430)**	(249 561)	**(321 003)**	(306 145)
Interest Revenue		**3 628**	3 083	**-**	-	**3 628**	3 083
Other Revenues	8	**29**	9	**4 488**	4 395	**4 517**	4 404
Total Income		**(55 916)**	(53 492)	**109 641**	104 080	**53 725**	50 588
EXPENSES:							
Employee Benefits Expenses	9	**369**	436	**6 711**	5 810	**7 080**	6 246
Supplies and Services:	10						
Advertising and marketing		**84**	77	**6 316**	5 798	**6 400**	5 875
Computer operations		**-**	-	**2 997**	3 190	**2 997**	3 190
Tickets, coupons, terminal rolls and ribbons		**-**	-	**1 464**	1 467	**1 464**	1 467
Operating leases		**-**	-	**632**	609	**632**	609
Other occupancy costs		**12**	10	**566**	552	**578**	562
Temporary staff and contractors		**-**	-	**459**	295	**459**	295
Agent distribution costs		**-**	-	**234**	225	**234**	225
Consultancies		**-**	-	**248**	36	**248**	36
Insurance		**121**	145	**-**	-	**121**	145
External audit fees		**135**	121	**-**	-	**135**	121
Training costs		**-**	-	**117**	82	**117**	82
Gambling tax - Other		**46**	32	**-**	-	**46**	32
Bad debts		**-**	-	**14**	6	**14**	6
Other		**280**	218	**1 151**	1 197	**1 431**	1 415
Total Supplies and Services		**678**	603	**14 198**	13 457	**14 876**	14 060
Net loss on disposal of non-current assets		**-**	-	**1 542**	-	**1 542**	-
Borrowing Costs		**11**	95	**-**	-	**11**	95
Total Expenses (Excluding Depreciation and Amortisation)		**1 058**	1 134	**22 451**	19 267	**23 509**	20 401
FINANCIAL ASSETS:							
Receivables:	15						
Debtor agents		**-**	-	**1 933**	1 565	**1 933**	1 565
Prizes receivable from Blocs		**-**	-	**78**	26 389	**78**	26 389
Sundry receivables		**351**	274	**157**	131	**508**	405
Prepayments		**-**	52	**81**	160	**81**	212
Total Receivables		**351**	326	**2 249**	28 245	**2 600**	28 571
FINANCIAL LIABILITIES:							
Payables:	19						
Current:							
Creditors and accrued expenses		**184**	196	**2 479**	2 274	**2 663**	2 470
Prizes payable		**-**	-	**11 185**	38 227	**11 185**	38 227
GST payable		**-**	-	**652**	688	**652**	688
Undistributed funds		**7 881**	7 196	**-**	-	**7 881**	7 196
Employment on-costs		**47**	80	**40**	36	**87**	116
Total Current Payables		**8 112**	7 472	**14 356**	41 225	**22 468**	48 697
Non-Current:							
Employment on-costs		**38**	16	**14**	12	**52**	28
Total Non-Current Payables		**38**	16	**14**	12	**52**	28
Total Payables		**8 150**	7 488	**14 370**	41 237	**22 520**	48 725
Borrowings (Current and Non-Current)	20	**-**	560	**-**	-	**-**	560

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* (MAC Act).

Functions

The main function of the Commission is to provide compulsory third party insurance to motor vehicle users in South Australia.

The principal objectives of the Commission in providing compulsory third party insurance are to:

- achieve and maintain a sufficient level of solvency in the Compulsory Third Party Fund
- minimise premium charges having regard to the Commission's objective of achieving and maintaining a sufficient level of solvency in the 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:

- Compulsory third party (CTP) insurance (in accordance with the *Motor Vehicles Act 1959*).
- Mortgage insurance, credit enhancements, and guarantees insurance.
- Financial risk insurance.

The latter two classes of insurance are in 'run-off' mode.

Changes to Investment Management

The *Superannuation Funds Management Corporation of South Australia Act 1995* (the SFMCSA Act) provides for the Superannuation Funds Management Corporation of South Australia (Funds SA) to invest and manage the nominated funds of approved authorities. As part of a Government policy to centralise public sector funds management, regulations to the SFMCSA Act came into operation on 27 July 2007 which proclaimed the Commission as an approved authority. Investments other than property were transferred to Funds SA during 2007-08. See further comments under the heading 'Investments'.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 28(3) of the MAC Act and subsection 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts and financial statements of the Commission in respect of each financial year.

Assessment of Controls

Subsection 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.

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 statements and internal controls.

During 2007-08, specific areas of audit attention included:

- investment assets
- investment income
- claims payable
- premiums
- management agreements (CTP)
- provision for outstanding claims
- accounts payable
- receivables.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Motor Accident Commission as at 30 June 2008, and 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 (including the Australian Accounting Interpretations).

Assessment of Controls

Audit formed the opinion that 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 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

Matters arising during the course of the audit were detailed in a management letter to the Acting Chief Executive Officer. The issues raised are detailed below.

Provision for Outstanding Claims

In determining the provision for outstanding claims the Fund Actuary gives consideration to the impact of large claims on the provision. The audit process, involving the use of independent actuarial expertise, reviewed the reasonableness of the approach undertaken by the Fund Actuary in determining the outstanding claims provision. As a result of the review, Audit raised with the Commission the matter of the Fund Actuary conducting a more detailed analysis of large claims, to gain a better understanding of the trends emerging and to incorporate any changes required into the evaluation process.

In response the Commission indicated that the Fund Actuary would undertake further analysis of large claims as part of the 2008-09 actuarial process.

Unearned Premium

In determining the unearned premium liability for financial reporting, use is made of premium income information provided by the Department for Transport, Energy and Infrastructure (DTEI). Audit noted that as at 30 June 2008 the premium income information used to calculate unearned premium did not reconcile to the information provided by DTEI. As a result an adjustment to unearned premium had to be made. Audit raised the matter of addressing the reconciliation process to ensure that all information used to generate financial reporting reconciles to source system data.

In response the Commission indicated that this would be done.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008 $'million	2007 $'million	Percentage Change
UNDERWRITING RESULT			
Net premium revenue	**397**	386	3
Net claims	**(425)**	(393)	8
Other underwriting expenses	**(96)**	(87)	10
Underwriting Loss	**(124)**	(94)	32

	2008 $'million	2007 $'million	Percentage Change
INVESTMENT RESULT			
Net investment revenue	**142**	167	(15)
Investment market value movements	**(164)**	25	-
Revenue from Investment Activities	**(22)**	192	-
Net (Loss) Profit	**(146)**	98	-
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES	**(39)**	(11)	-
ASSETS			
Current assets	**80**	163	(51)
Non-current assets	**2 013**	1 975	2
Total Assets	**2 093**	2 138	(2)
LIABILITIES			
Current liabilities	**535**	525	2
Non-current liabilities	**1 279**	1 189	8
Total Liabilities	**1 814**	1 714	6
EQUITY	**279**	424	(34)

The Commission's financial performance is significantly influenced by two inter-related 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.

- Investment result — Investment operations is 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.

Income Statement

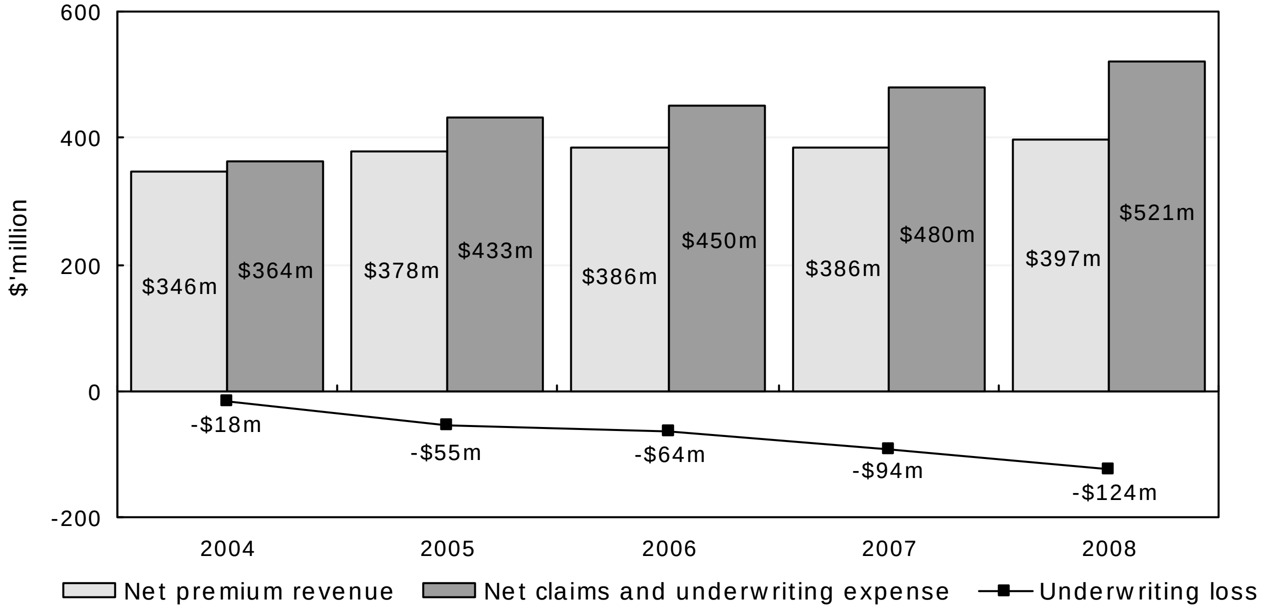
Underwriting Result

The underwriting loss increased by $29.8 million in 2008 to a loss of $123.7 million mainly as a result of an increase in net claims of $31.7 million. Other underwriting expenses also increased by $7.1 million primarily as a result of increased management expenses, up $5.3 million, which rose due to an increase in road safety expenditure of $3.7 million. The Commission assumed responsibility for road safety communications expenditure from the Department for Transport, Energy and Infrastructure in March 2007. Expenditure on road safety mainly comprises advertising and sponsorships.

Net premium revenue increased by $11.5 million to $397.2 million. This reflects the approved increase in premiums of 2.4 percent for the 2007-08 financial year. Net premium revenue has increased steadily over the past five years, except for 2007 when it remained the same as 2006 due to a decrease in premiums charged in that year. Details of premium increases over the five years to 2008 is provided under the heading 'Solvency Level'.

Net claims and underwriting expenses have increased steadily over the same period but at a greater rate than premium revenue. Claims expense is a combination of actual claim payments and the movement in outstanding claims provision. The claims expense for 2008 was $427.8 million, an increase of $22.8 million, and comprised gross claim payments of $330 million ($315 million) coupled with the increase in the outstanding claims provision of $98 million ($90 million).

An analysis of the underwriting result for the Commission for the five years to 2008 is presented in the following chart.

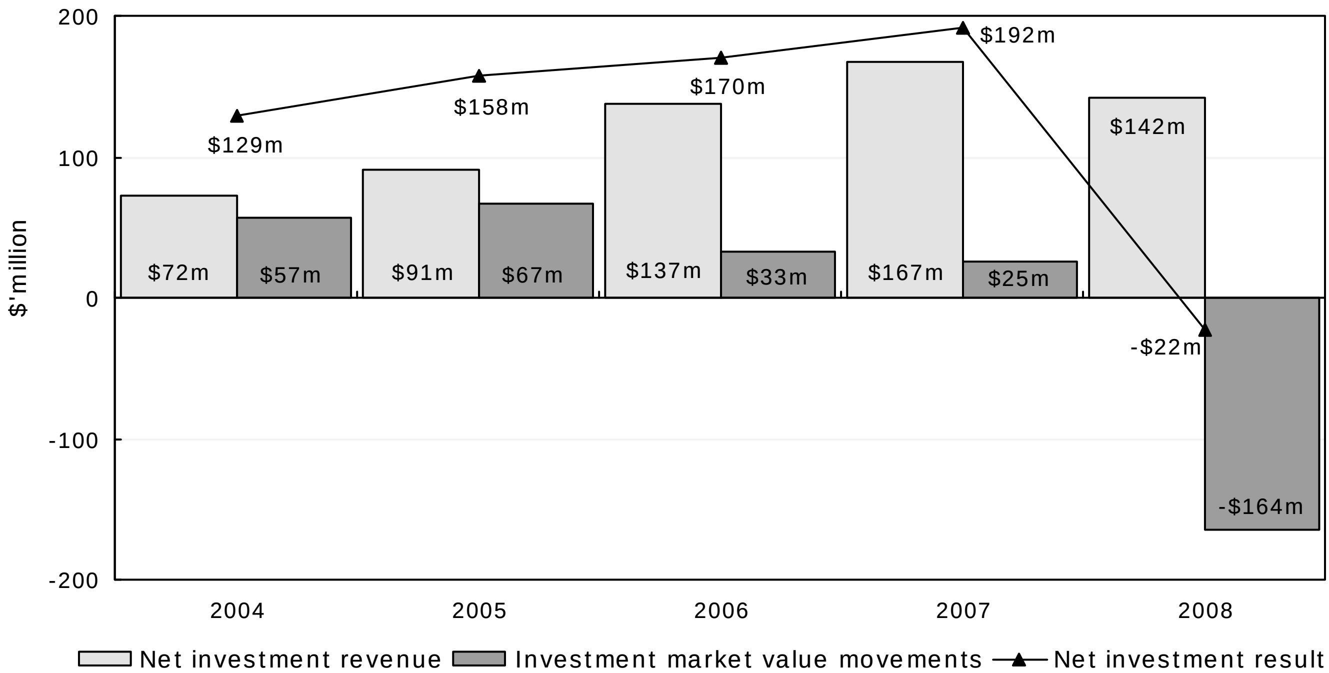


While the underwriting loss is increasing each year the Commission's level of solvency was, until 2007-08, also increasing annually as discussed under the heading 'Solvency Level'.

Investment Result

The net investment result is a combination of net investment revenue and investment market value movements. There was a significant fall in the net investment result this financial year with a loss of $22 million, halting the upward trend and significant increases experienced over the previous four years. While the net investment revenue declined by $25 million it remained positive at $142 million. However, the investment market value movement was a decrease of $164 million, down $189 million from the previous year. This reflects the poor year that was experienced by investment markets.

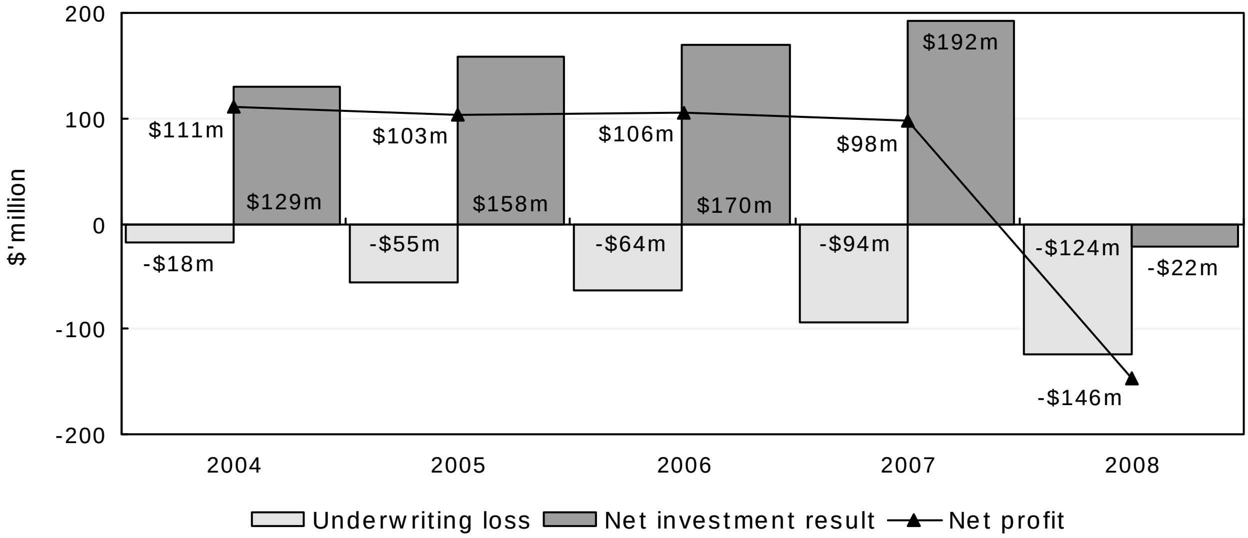
An analysis of the investment result for the Commission for the five years to 2008 is shown in the following chart.



In 2008 MAC achieved a return on its investment portfolio of negative 0.8 percent (positive 10.5 percent) which compares with its internal benchmark of positive 0.4 percent (positive 9.5 percent).

Operating Result

The Commission recorded an operating loss of $146 million in 2008 compared to an operating profit of $98 million in 2007. This is a turnaround of $244 million from the previous year and highlights the importance of the investment result to the overall operating result. In the past four years, increasing underwriting losses were well covered by increasing net investment returns. In 2008 the underwriting loss again increased but this was compounded by the net investment loss of $22 million. The importance of strong investment returns to the operating result of the Commission can be seen from the following chart.



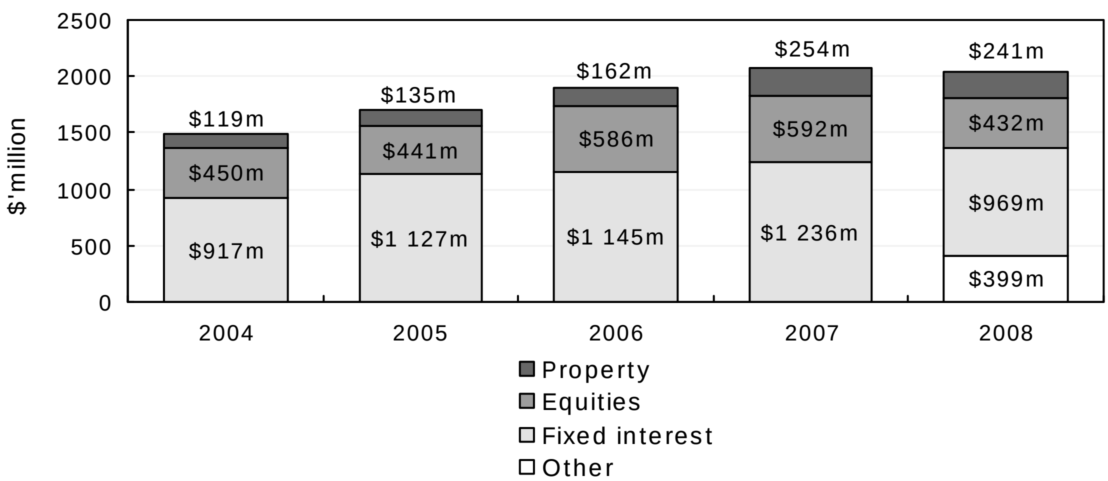
Balance Sheet

Investments

The total value of investment assets increased by $555 million over the five years to 2008 with investments totalling $2 billion as at 30 June 2008. The figure was, however, a decrease of $39.9 million from the value at 30 June 2007. During 2008 the Commission, as part of a government policy to establish central funds investment management, transferred the majority of its investment portfolio to be managed by Funds SA. As a result the Commission no longer directly holds investment in certain 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 portfolio in accordance with the agreed asset allocations and reporting investment performance to the Commission on a monthly basis.

As at 30 June 2008 fixed interest investments accounted for 47 percent (59 percent), equity 21 percent (29 percent), property (including property trusts) 12 percent (12 percent) and a new category of investments (some of which were previously classified under fixed interest investments), shown in the chart as other investments, which included diversified strategies income investment and inflation linked securities, 20 percent of the investment portfolio.

For the five years to 2008 a structural analysis of investment assets 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 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.

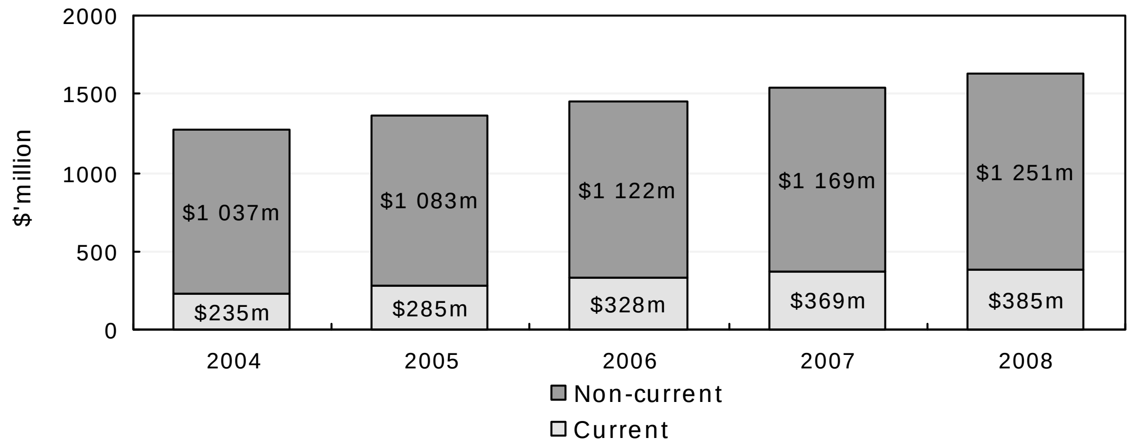
The liability calculation is reviewed by independent actuaries for the Commission. Detail of the calculation is provided in Notes 2(e) and 16 to the financial statements.

The provision for outstanding claims has increased by $364 million over the last five years. In 2008 the provision increased by $98 million to $1.6 billion. The movement in the provision is a combination of the estimated cost of settling claims incurred in 2007-08, 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 which impact the estimate of amounts required to settle claims include the:

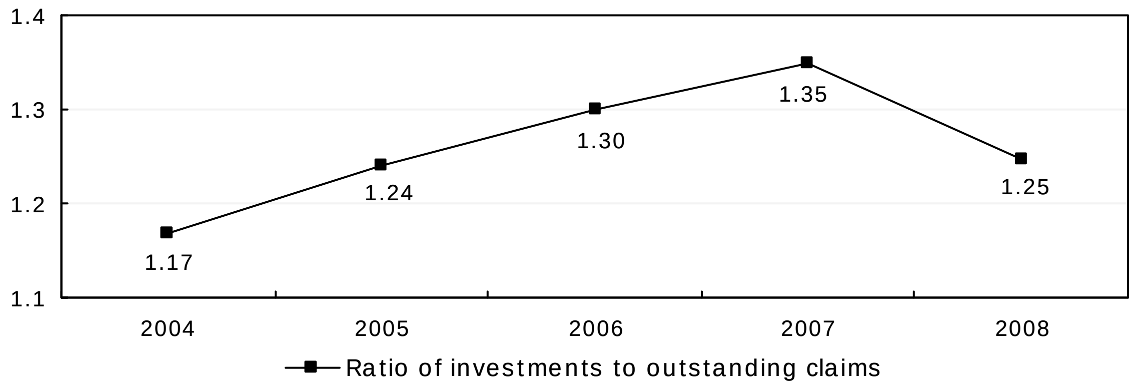
- number of claims incurred
- length of time taken to settle the claim
- average amount of claim payments
- inflation and discount rates used.

Also impacting on the calculation of the outstanding claims liability is the solvency requirements promulgated by the Treasurer pursuant to the MAC Act which requires a risk margin to be included in the provision to achieve an 80 percent probability that the provision is adequate. This requirement exceeds the Australian Prudential Regulation Authority (APRA) nominated target of 75 percent probability of sufficiency, as set out in Prudential Standard GPS 310. Refer to further commentary provided in the next section 'Solvency Level'.

The following chart sets out details of the outstanding claims liability for the five years to 2008.



The ratio of investments to outstanding claims liability is shown in the following chart. The ratio shows that the value of the Commission's assets are sufficient to cover the value of its outstanding claims. The ratio decreased in 2008 which reflects the decrease in the value of investment assets against the increasing value of outstanding claims.



Solvency Level

Subsection 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 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:

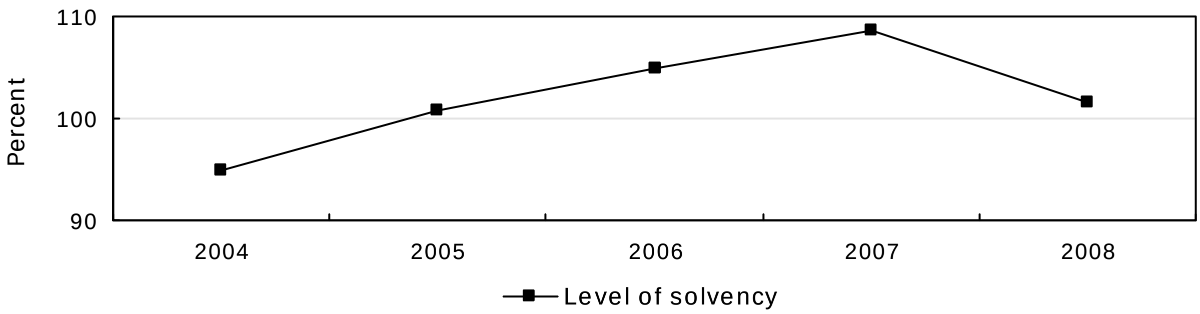
- the fund's liabilities
- 10 percent of the outstanding claims liabilities provision
- 10 percent of the premium liabilities provision
- 10 percent of the investments in equities and property.

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 percent 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 Number 300 'Actuarial Reports and Advice on Outstanding Claims in General Insurance' issued by the Institute of Actuaries of Australia
- Australian Prudential Regulation Authority GPS 310 in respect of the outstanding claims liabilities and premium liabilities (with the exception that the risk margins adopted are to be at the 80 percent probability of sufficiency compared with the 75 percent probability APRA requires).

As at 30 June 2008 the target level of reserves, as determined by application of the formula, was $2.06 billion. The assets of the CTP fund as at that date were $2.09 billion or 101.5 percent of the target level of solvency, a surplus of $32 million. This compares to a surplus of $170 million the previous year.

The following chart shows the level of solvency achieved over the past five years. The chart highlights that prior to 2008 there was a gradual upward trend in the level of solvency over the previous four years. That trend coincided with the improvement in investment market returns in those years and also the change in premiums being at the level recommended by the independent Third Party Premium Committee (TPPC). In 2008, the premium increase approved by the Treasurer was lower than that recommended by the TPPC and this coincided with the poor investment market performance. Refer to the table below for more details on recent premium increases.



The recent history regarding the implementation of premium changes recommended by the TPPC is outlined below:

	2008	2007	2006	2005	2004
	Percent	Percent	Percent	Percent	Percent
TPPC:					
Recommended rise (effective for the financial year)	**6**	(0.9)	(2.7)	5.5	16.4
Actual rise	**2.4**	(0.9)	(2.7)	5.5	16.4*
Difference	**3.6**	-	-	-	-

* The increase for some premium classes was capped at 9 percent.

As can be seen from the foregoing table, since 2004 the premiums recommended by the TPPC were approved by the Treasurer until 2008 when a lesser rise was approved. Subsection 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 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 subsection since its promulgation in 2002 has contributed to the improved solvency level since 2004. Since 2005 the desired solvency level has been achieved and a decrease in premiums charged was approved in 2005-06 and 2006-07 while in 2007-08 an increase less than that recommended by the TPPC 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, as was the case this year, there may be little margin in the solvency position to absorb the impact of the downturn. In 2007-08 the solvency position of the Commission, although still positive, has deteriorated to a level where there is little margin for negative investment performance without risking not meeting the solvency requirements. Indeed another year of similar investment performance to 2008 would probably see the solvency requirement not being achieved.

Under the provisions of the MAC Act, two of the principal objectives of the Commission in providing compulsory third party 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. For the year commencing 1 July 2008 the TPPC recommended an average increase in premiums of 10.9 percent, however the Treasurer directed that all premium increases be capped at 7.2 percent resulting in an average premium increase of 6.3 percent. This reduces potential premium income by an estimated $18 million.

Cash Flow Statement

The following table summarises the net cash flows for the five years to 2008.

	2008	2007	2006	2005	2004
	$'000	$'000	$'000	$'000	$'000
Net Cash Flows					
Operations	**(39 414)**	(11 212)	(24 783)	9 624	12 858
Investing	**(12)**	-	(37)	51	(168)
Financing	**-**	-	-	-	(5 000)
Change in Cash	**(39 426)**	(11 212)	(24 820)	9 675	7 690
Cash at 30 June	**10 427**	49 853	61 065	85 885	76 210

The analysis of cash flows shows that the Commission's cash position has reduced in 2008 as a result of cash used in operating activities and is at its lowest level for five years.

Net cash outflows from operating activities increased by $28.2 million from the previous year and was impacted by a decrease in the net cash generated in the course of operations (down $6.4 million to a net cash outflow of $5.5 million) and an increase in the net cash used in the purchase of investments (up $18.5 million to $105.6 million). Other net cash inflows were $71.6 million (down $3.3 million) which mainly related to cash received for interest and dividends from investments. The decrease in the net cash generated in the course of operations in 2008 has resulted from an increase in payments of $21 million due mainly to an increase in claim payments made during the year. The increase in claim payments was a result of the increased rate of settlement of claims and settlement of some large claims.

The Commission can increase its cash holdings at short notice to cover its operating requirements by redemption of cash held in its investment portfolio.

Income Statement
for the year ended 30 June 2008

		CTP		MAC	
		2008	2007	**2008**	2007
	Note	**$'000**	$'000	**$'000**	$'000
Premium revenue	5	**400 972**	389 503	**400 972**	389 503
Outwards reinsurance expense		**(3 811)**	(3 799)	**(3 811)**	(3 799)
NET PREMIUM		**397 161**	385 704	**397 161**	385 704
Claims expense	6	**(427 803)**	(405 024)	**(427 802)**	(405 026)
Reinsurance and other recoveries	5	**2 923**	11 381	**2 926**	11 885
NET CLAIMS	20	**(424 880)**	(393 643)	**(424 876)**	(393 141)
Unexpired risk expense	9	**(9 980)**	(7 512)	**(9 980)**	(7 512)
Other underwriting expenses	7	**(84 791)**	(78 568)	**(86 006)**	(78 914)
UNDERWRITING LOSS		**(122 490)**	(94 019)	**(123 701)**	(93 863)
Investment revenue	5	**144 073**	169 899	**144 154**	170 011
Other revenue	5	**17**	59	**16**	59
Investment management fee		**(2 219)**	(3 096)	**(2 219)**	(3 096)
NET INVESTMENT REVENUE		**141 871**	166 862	**141 951**	166 974
PROFIT BEFORE MARKET VALUE MOVEMENTS		**19 381**	72 843	**18 250**	73 111
Investment market value movements (AASB 1023)	5	**(163 970)**	24 910	**(163 970)**	24 910
NET (LOSS) PROFIT		**(144 589)**	97 753	**(145 720)**	98 021

Net profit is attributable the SA Government as owner

Balance Sheet
as at 30 June 2008

		CTP		MAC	
		2008	2007	**2008**	2007
CURRENT ASSETS:	Note	**$'000**	$'000	**$'000**	$'000
Cash		**8 801**	5 709	**9 549**	7 408
Receivables	8	**6 924**	14 980	**6 936**	15 152
Reinsurance and other recoveries receivable	10	**2 744**	2 534	**2 744**	2 534
Other financial assets	11	**44 926**	122 526	**44 986**	122 591
Prepayments		**15 660**	15 328	**15 660**	15 328
Total Current Assets		**79 055**	161 077	**79 875**	163 013
NON-CURRENT ASSETS:					
Reinsurance and other recoveries receivable	10	**16 453**	16 031	**16 453**	16 031
Other financial assets	11	**1 789 652**	1 767 641	**1 789 652**	1 767 641
Investment property	12	**206 790**	191 060	**206 790**	191 060
Property, plant and equipment	13	**-**	-	**31**	26
Prepayments		**-**	300	**-**	300
Total Non-Current Assets		**2 012 895**	1 975 032	**2 012 926**	1 975 058
Total Assets		**2 091 950**	2 136 109	**2 092 801**	2 138 071
CURRENT LIABILITIES:					
Payables	14	**6 756**	19 962	**6 606**	19 863
Unearned premium	15	**140 851**	135 068	**140 851**	135 068
Outstanding claims	16	**385 470**	368 804	**385 472**	368 806
Unexpired risk liability	9	**2 037**	1 338	**2 037**	1 338
Provisions	18	**-**	-	**280**	227
Total Current Liabilities		**535 114**	525 172	**535 246**	525 302
NON-CURRENT LIABILITIES:					
Unearned premium	15	**1 452**	1 392	**1 452**	1 392
Outstanding claims	16	**1 250 443**	1 169 296	**1 250 503**	1 169 361
Unexpired risk liability	9	**27 055**	17 774	**27 055**	17 774
Provisions	18	**-**	-	**142**	119
Total Non-Current Liabilities		**1 278 950**	1 188 462	**1 279 152**	1 188 646
Total Liabilities		**1 814 064**	1 713 634	**1 814 398**	1 713 948
NET ASSETS		**277 886**	422 475	**278 403**	424 123
EQUITY:					
Retained profit		**277 886**	422 475	**278 403**	424 123
TOTAL EQUITY		**277 886**	422 475	**278 403**	424 123

Total equity is attributable to the SA Government as owner

Commitments	21
Contingent assets and liabilities	27

Statement of Changes in Equity
for the year ended 30 June 2008

	CTP	MAC
	$'000	$'000
Retained Earnings at 30 June 2006	324 722	326 102
Net result for 2006-07	97 753	98 021
Retained Earnings at 30 June 2007	422 475	424 123
Net result for 2007-08	(144 589)	(145 720)
Retained Earnings at 30 June 2008	**277 886**	**278 403**

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

Cash Flow Statement
for the year ended 30 June 2008

		CTP		MAC	
		2008	2007	**2008**	2007
		Inflows	Inflows	**Inflows**	Inflows
CASH FLOWS FROM OPERATING		**(Outflows)**	(Outflows)	**(Outflows)**	(Outflows)
ACTIVITIES:	Note	**$'000**	$'000	**$'000**	$'000
Cash receipts in the course of operations		**442 586**	427 787	**442 675**	427 903
Cash payments in the course of operations		**(447 135)**	(427 188)	**(448 135)**	(426 934)
Proceeds from sale of investments		**2 104 056**	1 460 308	**2 104 056**	1 460 308
Payment for investments		**(2 209 602)**	(1 547 397)	**(2 209 602)**	(1 547 397)
Taxes paid		**(10 629)**	(8 962)	**(10 657)**	(8 970)
Dividends received		**2 590**	4 602	**2 590**	4 602
Interest and other investment income		**79 659**	79 276	**79 659**	79 276
Net Cash Outflows from Operating Activities	25	**(38 475)**	(11 574)	**(39 414)**	(11 212)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Payment for property, plant and equipment		**-**	-	**(12)**	-
Net Cash Outflows from Investing Activities		**-**	-	**(12)**	-
NET DECREASE IN CASH HELD		**(38 475)**	(11 574)	**(39 426)**	(11 212)
CASH AT 1 JULY		**48 154**	59 728	**49 853**	61 065
CASH AT 30 JUNE	2(r),25	**9 679**	48 154	**10 427**	49 853

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Activities of the Motor Accident Commission (MAC)

MAC's principal activity is the underwriting of Compulsory Third Party (CTP) Insurance in South Australia. Other businesses managed in run-off include Inwards Reinsurance and Mortgage Guarantee Insurance.

2. Statement of Significant Accounting Policies

(a) Basis of Preparation

This financial report is a general purpose financial report which has been prepared in accordance with applicable AASs, relevant TIs and APSs promulgated under the provisions of the PFAA.

AASs include AIFRS.

It has been prepared on an accrual basis and is in accordance with the historical cost convention, except for certain assets that 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 and dividends are 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 (IBNR) claims, the anticipated direct and indirect costs of settling those claims and estimated reinsurance and other insurance recoveries. Claims outstanding are based on average or individual claim file estimates, with IBNRs and settlement costs calculated using statistics from past experience and trends.

(i) CTP Claims

The liability for outstanding CTP claims is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation. The expected future payments are discounted to present value at balance date and a margin is included to provide sufficient confidence that the provision is adequate. The outstanding claims liability is subject to actuarial assessment.

A risk margin is added to the outstanding claims provision to increase the probability that the net liability is adequately provided to a sufficiency level of 80 percent.

(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 2008.

In order to meet the Liability Adequacy Test (LAT), additional provisioning has been included at a probability of sufficiency of 80 percent.

(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.

(j) *Receivables*

(i) *Trade Debtors*

Trade debtors principally relate to premiums collected by the Department for Transport, Energy and Infrastructure (DTEI), an agent of MAC, not yet passed over to the Fund. The settlement of these amounts occurs within seven working days.

(ii) *Investment Debtors*

Investment debtors consist of securities for which contracts for sale had been completed but for which settlement had not been received at balance date together with interest, dividends 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) *Derivatives*

The entity's activities expose it to changes in interest rates, foreign exchange rates, inflation and the general level of volatility derived from financial investment performance. It is also exposed to credit, liquidity and cash flow risks from its operations.

It is the entity's policy to consider derivative financial instruments to enhance performance and to hedge cash flows subject to interest rate, foreign exchange rate and general consumer price risks. Derivative financial instruments designated as hedges are accounted for on the same basis as the underlying exposure.

(l) *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 Income Statement. 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*

During the year, MAC transferred the management of the bulk of its investment portfolio to Funds SA, the SA State Government investment body. Investments held with Funds SA are held via unit trusts in a range of asset classes. Market quotations are used as the valuation basis for these units.

(ii) *Listed Property Trusts*

By market quotations as at 30 June 2008.

(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.

(m) *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 2008 revaluations were based on independent assessments made by members of the Australian Property Institute.

Changes in fair value are recognised in the Income Statement. Rental income is recognised in the Income Statement on a straight-line basis over the term of the lease.

(n) *Employee Benefits*

A liability for employee benefits has been accrued as at 30 June 2008.

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 and Sick Leave

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

The annual leave liability 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 of sick leave.

Long Service Leave
The liability for long service leave is recognised after an employee has completed 6.5 years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance, based on a significant sample of employees throughout the South Australian public sector, determined that the liability measured using the short-hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the MAC's experience of employee retention and leave taken.

Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave and are accounted for under payables.

Superannuation
MAC makes contributions to 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.

(o) Taxation
MAC is an income tax exempt organisation pursuant to section 24AK of the *Income Tax Assessment Act 1936.*

MAC is liable for payroll tax, 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 Balance Sheet.

Cash flows are included in the Cash Flow Statement 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.

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.

(p) Property, Plant and Equipment
MAC has adopted the fair value method of valuing its property, plant and equipment assets. Plant and equipment and building fit out are recorded at cost and depreciated over their estimated useful lives using the reducing balance method of depreciation. 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 Percent*
Plant and equipment	Diminishing value	20
Building fit out	Diminishing value	20

(q) Payables
Payables include creditors, accrued expenses 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 the 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.

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

The carrying amount of payable approximates fair value due to amounts owing being payable on demand.

(r) Cash

For the purpose of the Cash Flow Statement, cash includes cash on hand and at bank, and short-term deposits at call.

3. Changes in Accounting Policies

The 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 2008. MAC has assessed the impact of the new and amended Standards and Interpretations and consider there will be no impact on the accounting policies or the financial report.

4. Profit

Profit is arrived at after crediting and charging the following specific items:

	CTP		MAC	
	2008	2007	**2008**	2007
Credits:	**$'000**	$'000	**$'000**	$'000
Interest received/receivable	**64 354**	69 379	**64 354**	69 379
Dividends received/receivable	**4 796**	9 859	**4 796**	9 859
Charges:				
Amounts set aside to provide for:				
Employee benefits	**-**	-	**53**	42
Depreciation of property, plant and equipment	**-**	-	**7**	35
Bad and doubtful debts	**285**	-	**285**	-

5. Revenue

	CTP 2008	CTP 2007	MAC 2008	MAC 2007
Premium Revenue:				
Direct	**400 972**	389 503	**400 972**	389 503
	400 972	389 503	**400 972**	389 503
Reinsurance and Other Recoveries:				
Other	**2 923**	11 381	**2 926**	11 885
	2 923	11 381	**2 926**	11 885
Investment Revenue:				
Dividends	**4 796**	9 859	**4 796**	9 859
Interest	**64 354**	69 379	**64 435**	69 491
Rentals	**13 037**	16 592	**13 037**	16 592
Profit - Investments realised	**61 886**	74 069	**61 886**	74 069
	144 073	169 899	**144 154**	170 011
Investment Market Value Movements - Unrealised Gains (Losses):				
Fixed interest	**(11 721)**	(17 408)	**(11 721)**	(17 408)
Equities	**(188 849)**	27 874	**(188 849)**	27 874
Properties	**2 800**	14 576	**2 800**	14 576
Futures	**2**	(132)	**2**	(132)
Other	**33 798**	-	**33 798**	-
	(163 970)	24 910	**(163 970)**	24 910
Other Revenue:				
Foreign exchange gains	**3**	3	**2**	3
Other	**14**	56	**14**	56
	17	59	**16**	59
Total Revenue	**384 015**	595 752	**384 098**	596 368

6. Claims Expense

	CTP 2008	CTP 2007	MAC 2008	MAC 2007
Direct*	**427 803**	405 024	**427 803**	405 024
Non-CTP business	**-**	-	**(1)**	2
	427 803	405 024	**427 802**	405 026

* Claim expenses includes supplies and services paid or payable to SA Government entities as follows:

	2008	2007
	$'000	$'000
Ambulance and helicopter rescue services	**6 095**	6 095

7. Other Underwriting Expenses

	CTP		MAC	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Management expenses*	**30 549**	26 108	**31 764**	26 454
Levies and charges	**43 281**	42 043	**43 281**	42 043
Collection charges	**10 961**	10 417	**10 961**	10 417
	84 791	78 568	**86 006**	78 914

* Management expenses includes supplies and services paid or payable to SA Government entities as follows:

7. Other Underwriting Expenses (continued)

	2008	2007
	$'000	$'000
Audit services	112	110
Road safety supplies and services	2 121	3 510
Repayment of run-off activity profits	1 000	-

In relation to levies and charges and collection charges, the entire amount was paid or payable to SA Government entities.

8. Receivables

	CTP		MAC	
	2008	2007	2008	2007
Current:	$'000	$'000	$'000	$'000
Trade debtors	5 944	3 251	5 952	3 260
Other debtors	-	-	(1)	154
	5 944	3 251	5 951	3 414
Investment debtors	1 185	11 729	1 190	11 738
Allowance for doubtful debts	(205)	-	(205)	-
	980	11 729	985	11 738
	6 924	14 980	6 936	15 152

Investment debtors consists of equities listed on stock exchanges for which contracts of sale had been completed but for which settlement had not been received at balance date together with interest, dividends and rental due on other investments.

Other debtors generally arise from transactions outside the usual operating activities of the entity.

Movement in the Allowance for Doubtful Debts

Carrying amount at 1 July	-	-	-	-
Increase in the allowance	285	-	285	-
Amounts written off	(80)	-	(80)	-
Carrying Amount at 30 June	205	-	205	-

9. Unexpired Risk

AASB 1023 requires a 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 2008.

	CTP		MAC	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Central estimate of present value of future claims	124 300	112 200	124 300	112 200
Risk margin	31 100	28 100	31 100	28 100
Present Value of Expected Future Claims	155 400	140 300	155 400	140 300
Unearned premium liability	142 303	136 460	142 303	136 460
Related reinsurance asset	(635)	(543)	(635)	(543)
Prepaid licence fees	(15 360)	(14 729)	(15 360)	(14 729)
	126 308	121 188	126 308	121 188
Unexpired Risk Liability	29 092	19 112	29 092	19 112

In order to meet the LAT, additional provisioning for the premium liability has been included at a probability of sufficiency of 80 percent (80 percent) which results in a risk margin of 25 percent (25 percent). 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.

	CTP		MAC	
	2008	2007	2008	2007
Unexpired Risk Liability:	$'000	$'000	$'000	$'000
Opening balance	19 112	11 600	19 112	11 600
Unexpired risk expense	9 980	7 512	9 980	7 512
Closing Balance	29 092	19 112	29 092	19 112
Unexpired Risk Liability:				
Current	2 037	1 338	2 037	1 338
Non-current	27 055	17 774	27 055	17 774
Total Liability	29 092	19 112	29 092	19 112

10. Reinsurance and Other Recoveries Receivable

	CTP		MAC	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Expected future recoveries (undiscounted)	**24 648**	23 581	**24 648**	23 581
Discount to present value*	**(5 451)**	(5 016)	**(5 451)**	(5 016)
Reinsurance and Other Recoveries Receivable	**19 197**	18 565	**19 197**	18 565
Reinsurance and Other Recoveries Receivable:				
Current	**2 744**	2 534	**2 744**	2 534
Non-Current	**16 453**	16 031	**16 453**	16 031
	19 197	18 565	**19 197**	18 565

* Refer to Note 16(b) for details of the inflation and discount rates used in the determination of this discounting adjustment.

11. Other Financial Assets

During the year, MAC transferred the bulk of its investment portfolio from a range of investment managers to Funds SA. Investments held with Funds SA are held via unit trusts in a range of asset classes.

	CTP		MAC	
Current:	**2008**	2007	**2008**	2007
Fixed interest:	**$'000**	$'000	**$'000**	$'000
Cash and deposits	**878**	42 445	**878**	42 445
Cash - unit trust	**25 179**	-	**25 179**	-
Fixed interest - unit trust	**18 854**	-	**18 854**	-
Discounted securities	**-**	53 668	**-**	53 668
Corporate fixed interest	**-**	23 205	**-**	23 205
Foreign currency	**-**	-	**60**	65
Futures	**-**	150	**-**	150
Government securities	**-**	2 053	**-**	2 053
Property:				
Sales/Purchase deposits	**15**	1 005	**15**	1 005
Total Current Other Financial Assets	**44 926**	122 526	**44 986**	122 591
Non-Current:				
Fixed interest:				
Fixed interest - unit trust	**923 844**	-	**923 844**	-
Government securities	**-**	522 048	**-**	522 048
Corporate fixed interest	**-**	341 981	**-**	341 981
Indexed annuities	**-**	4 206	**-**	4 206
Capital indexed bonds	**-**	246 026	**-**	246 026
Equities:				
Listed on stock exchanges	**-**	391 684	**-**	391 684
Australian equities - unit trust	**267 931**	-	**267 931**	-
International equities	**-**	199 957	**-**	199 957
International equities - unit trust	**164 137**	-	**164 137**	-
Property:				
Domestic listed property trusts	**34 369**	61 739	**34 369**	61 739
Other:				
Diversified strategies income - unit trust	**121 622**	-	**121 622**	-
Inflation linked securities - unit trust	**277 749**	-	**277 749**	-
Total Non-Current Other Financial Assets	**1 789 652**	1 767 641	**1 789 652**	1 767 641
Total Other Financial Assets	**1 834 578**	1 890 167	**1 834 638**	1 890 232

12. Investment Property

	CTP		MAC	
At Fair Value:	**2008**	2007	**2008**	2007
Balance at 1 July	**191 060**	119 581	**191 060**	119 581
Acquisitions	**20 914**	65 065	**20 914**	65 065
Disposals	**(10 060)**	(10 069)	**(10 060)**	(10 069)
Capitalised subsequent expenditure	**2 076**	1 907	**2 076**	1 907
Net gain from fair value adjustments	**2 800**	14 576	**2 800**	14 576
Balance at 30 June	**206 790**	191 060	**206 790**	191 060
Amounts Recognised in the Income Statement for Investment Property:				
Rental income	**20 707**	18 243	**20 707**	18 243
Direct operating expenses	**(7 670)**	(6 581)	**(7 670)**	(6 581)
Total Amount Recognised	**13 037**	11 662	**13 037**	11 662

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 2008 revaluations were based on independent assessments made by members of the Australian Property Institute.

Leasing Arrangements	CTP		MAC	
Commitments under non-cancellable operating leases at the reporting date are payable as follows:	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Not later than one year	**16 717**	14 757	**16 717**	14 757
Later than one year but not later than five years	**46 511**	41 088	**46 511**	41 088
Later than five years	**20 443**	17 260	**20 443**	17 260
	83 671	73 105	**83 671**	73 105

These operating leases are not recognised in the Balance Sheet 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 2008. In determining those figures, our valuers have based their calculations on the requirements of AASB 117.

13. Property, Plant and Equipment	CTP		MAC	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Building fitout	**-**	-	**5**	-
Accumulated depreciation	**-**	-	**(1)**	-
	-	-	**4**	-
Plant and equipment	**-**	-	**64**	57
Accumulated depreciation	**-**	-	**(37)**	(31)
	-	-	**27**	26
Total Property, Plant and Equipment	**-**	-	**31**	26
Building Fitout:				
Carrying amount at 1 July	**-**	-	**-**	155
Additions	**-**	-	**5**	-
Disposals	**-**	-	**-**	(127)
Depreciation	**-**	-	**(1)**	(28)
Carrying amount at 30 June	**-**	-	**4**	-
Plant and Equipment:				
Carrying amount at 1 July	**-**	-	**26**	33
Additions	**-**	-	**7**	-
Depreciation	**-**	-	**(6)**	(7)
Carrying amount at 30 June	**-**	-	**27**	26

14. Payables				
Current:				
Trade creditors	**-**	-	**79**	64
Investment creditors	**259**	12 994	**259**	12 994
Other creditors and accruals	**5 951**	6 516	**6 268**	6 805
Due to related parties	**546**	452	**-**	-
	6 756	19 962	**6 606**	19 863

15. Unearned Premium				
Current	**140 851**	135 068	**140 851**	135 068
Non-Current	**1 452**	1 392	**1 452**	1 392
	142 303	136 460	**142 303**	136 460

16. Outstanding Claims				
(a) Expected future claims payments (undiscounted)	**1 779 120**	1 665 641	**1 779 182**	1 665 708
Risk margin applied (undiscounted)	**280 715**	262 729	**280 715**	262 729
Discount to present value:				
Central estimate	**(481 642)**	(337 132)	**(481 642)**	(337 132)
Risk margin applied	**57 720**	(53 138)	**57 720**	(53 138)
Liability for Outstanding Claims	**1 635 913**	1 538 100	**1 635 975**	1 538 167
Current	**385 470**	368 804	**385 472**	368 806
Non-Current	**1 250 443**	1 169 296	**1 250 503**	1 169 361
Liability for Outstanding Claims	**1 635 913**	1 538 100	**1 635 975**	1 538 167

16. Outstanding Claims (continued)

(b) The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims:

	CTP		MAC	
	2008	2007	**2008**	2007
For the Succeeding Year:	**Percent**	Percent	**Percent**	Percent
Inflation rate	**7.50**	7.25	**7.50**	7.25
Discount rate	**6.70**	6.50	**6.70**	6.50
For Subsequent Years:				
Inflation rate	**7.50**	7.25	**7.50**	7.25
Discount rate	**6.70**	6.50	**6.70**	6.50

(c) The weighted average expected term to settlement of the outstanding claims from balance date is estimated to be:

CTP		MAC	
2008	2007	**2008**	2007
Years	Years	**Years**	Years
4.0	4.0	**4.0**	4.0

The method of calculating outstanding claims is set out in detail in Note 2(e).

The claims provision as at 30 June 2008 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 percent probability that the provision will prove to be adequate. A risk margin of 16 percent (16 percent) 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.

Claims Development

	Accident Year Ending 30 June						
	2003	2004	2005	2006	2007	2008	**Total**
Net Ultimate Claims Cost Estimate:	$'000	$'000	$'000	$'000	$'000		**$'000**
At end of accident year	281 748	338 640	326 705	354 460	382 329	426 940	
One year later	323 292	313 058	343 157	355 875	386 338		
Two years later	328 682	302 311	331 398	352 055			
Three years later	306 755	312 080	353 662				
Four years later	311 494	308 606					
Five years later	308 554						
Current estimate of net ultimate claims cost	308 554	308 606	353 662	352 055	386 338	426 940	
Cumulative payments	(221 831)	(188 038)	(147 335)	(93 021)	(53 551)	(19 797)	
Net undiscounted claims liability for the six most recent accident years	86 723	120 568	206 327	259 034	332 787	407 143	**1 412 582**
Discount to present value	(20 297)	(20 417)	(33 354)	(44 429)	(65 562)	(92 231)	**(276 290)**
Net discounted claims liability for the six most recent accident years	66 426	100 151	172 973	214 605	267 225	314 912	**1 136 292**
Reconciliation:							
Claims handling expenses							**56 815**
Risk margin							**190 897**
Net discounted claims liability for accident years 2001-02 and prior							**232 712**
Net Outstanding Claims Liability							**1 616 716**
Gross outstanding claims liability on the Balance Sheet							**1 635 913**
Reinsurance and other recoveries on outstanding claims liability							**(19 197)**
Net Outstanding Claims Liability							**1 616 716**

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 that shows remaining contractual liabilities.

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	**2008 Total $'000**
Liabilities	382 752	813 570	320 032	76 260	23 082	1 020	**1 616 716**

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 effects 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 and claims analysis and takes account of current market and scheme trends. All data used is subject to thorough verification and reconciliation processes.

Reinsurance

The use of reinsurance 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.

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	
	2008	2007	**2008**	2007
Employee Benefits:	**$'000**	$'000	**$'000**	$'000
Current	**-**	-	**280**	227
Non-current	**-**	-	**142**	119
	-	-	**422**	346

19. Additional Financial Instrument Disclosures

(1) 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.

Fair Values

The fair values of the entity's derivative financial instruments which are traded on organised markets at balance date are those disclosed below under interest rate risk. All exchange traded financial instruments are carried at fair value.

(2) Foreign Exchange Risk

The entity enters into forward exchange contracts to hedge certain financial assets and claims liabilities denominated in foreign currencies.

As part of a diversified investment strategy, MAC has investments in funds investing in international markets. The entity's fund manager hedges a portion of international equities investments to Australian dollars. Furthermore, other investments that are exposed to unhedged international investments are 100 percent hedged back to Australian dollars.

(3) Interest Rate Risk

The entity's exposure to interest rate risk, repricing maturities and the weighted average effective interest rates on financial assets and liabilities at balance date is set out below:

	Floating Interest Rate	Fixed Interest Rate Maturities Less than 1 Year	1 - 5 Years	Over 5 Years	Non-Interest Bearing	**2008 Total**
Financial Assets:	$'000	$'000	$'000	$'000	$'000	**$'000**
Cash and deposits	35 606	-	-	-	-	**35 606**
Debtors	-	-	-	-	6 936	**6 936**
Fixed interest - Unit trust*	-	-	-	-	942 698	**942 698**
Domestic listed property trusts	-	-	-	-	34 369	**34 369**
Australian equities - Unit trust*	-	-	-	-	267 931	**267 931**
International equities - Unit trust*	-	-	-	-	164 137	**164 137**
Other*	-	-	-	-	399 371	**399 371**
Foreign currency		60	-	-	-	**60**
Sales/purchase deposits	-	-	-	-	15	**15**
Total Financial Assets	35 606	60	-	-	1 815 457	**1 851 123**
Weighted average interest rate (percent)	6.71	6.86	-	-		
Financial Liabilities:						
Creditors	-	-	-	-	6 606	**6 606**
Total Financial Liabilities	-	-	-	-	6 606	**6 606**
Net Financial Assets	35 606	60	-	-	1 808 851	**1 844 517**

* 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:

	Floating Interest Rate	Fixed Interest Rate Maturities Less than 1 Year	1 - 5 Years	Over 5 Years	Non-Interest Bearing	2007 Total
Financial Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash and deposits	49 853	-	-	-	-	49 853
Debtors	-	-	-	-	15 152	15 152
Government securities	-	2 053	267 913	254 135	-	524 101
Corporate fixed interest	-	23 205	274 932	67 049	-	365 186
Indexed annuity	-	-	-	4 206	-	4 206
Capital indexed bonds	-	-	30 151	215 875	-	246 026
Discounted securities	-	53 668	-	-	-	53 668
Foreign currency	-	65	-	-	-	65
Futures	150	-	-	-	-	150
Shares and other equity instruments	-	-	-	-	653 380	653 380
Sales/purchase deposits	-	-	-	-	1 005	1 005
Total Financial Assets	50 003	78 991	572 996	541 265	669 537	1 912 792
Weighted average interest rate (percent)	6.16	6.56	6.67	4.96		
Financial Liabilities:						
Creditors	-	-	-	-	19 863	19 863
Total Financial Liabilities	-	-	-	-	19 863	19 863
Net Financial Assets	50 003	78 991	572 996	541 265	649 674	1 892 929

Reconciliation of Net Financial Assets	**2008 $'000**	2007 $'000
Net Financial Assets	**1 844 517**	1 892 929
Add:		
Reinsurance and other recoveries receivable	**19 197**	18 565
Prepayments	**15 660**	15 628
Investments - Property assets	**206 790**	191 060
Property, plant and equipment	**31**	26
Less:		
Unearned income	**142 303**	136 460
Outstanding claims	**1 635 975**	1 538 167
Unexpired risk provision	**29 092**	19 112
Provisions	**422**	346
Net Assets	**278 403**	424 123

(4) 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 Balance Sheet represent the entity's maximum exposure to credit risk to these assets. The entity minimises concentrations of credit risk by undertaking transactions with a large number of counterparties. The entity is not materially exposed to any individual counterparty.

Swap and foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the entity pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the entity.

(5) 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 of 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, the entity aims to reduce the impact of short-term fluctuations on the reported profit or loss for the period. Over the longer term, sustained variations in economic variables will have an ongoing impact on the reported results.

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 the entity's reported profit (loss) and equity is the same.

	Movement in Variable Percent	Financial Impact **2008** **$'000**	Financial Impact 2007 $'000
Interest Rates	(1.0)	**9 782**	15 931
	(0.5)	**4 795**	7 819
	0.5	**(4 612)**	(7 539)
	1.0	**(9 049)**	(14 810)
Australian Equity Markets	(10)	**(30 413)**	(37 837)
	(5)	**(15 207)**	(18 919)
	(1)	**(3 041)**	(3 784)
	5	**15 207**	18 919
	10	**30 413**	37 837
International Equity Markets	(10)	**(16 393)**	(17 954)
	(5)	**(8 196)**	(8 977)
	(1)	**(1 639)**	(1 795)
	5	**8 196**	8 977
	10	**16 393**	17 954

(6) Liquidity and Cash Flow Risk

The liquidity risks associated with the need to satisfy requests for redemptions are mitigated by maintaining sufficient cash reserves to satisfy usual levels of demand and ensuring a very high proportion of the Fund is invested in securities that are actively traded and highly liquid. Liquidity risks are minimised through trading with approved exchanges and counterparties.

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.

Direct Business	CTP Current Year $'000	CTP Prior Years $'000	CTP **2008 Total $'000**	MAC Current Year $'000	MAC Prior Years $'000	MAC **2008 Total $'000**
Gross claims incurred and related expenses - Undiscounted	519 476	(58 021)	**461 455**	519 476	(58 021)	**461 455**
Reinsurance and other recoveries - Undiscounted	(3 779)	421	**(3 358)**	(3 779)	421	**(3 358)**
Net Claims Incurred - Undiscounted	515 697	(57 600)	**458 097**	515 697	(57 600)	**458 097**
Discount and discount movement - Gross claims incurred	(113 292)	79 640	**(33 652)**	(113 292)	79 640	**(33 652)**
Discount and discount movement - Reinsurance and other recoveries	955	(520)	**435**	955	(520)	**435**
Net Discount Movement	(112 337)	79 120	**(33 217)**	(112 337)	79 120	**(33 217)**
Net Claims Incurred	403 360	21 520	**424 880**	403 360	21 520	**424 880**
Non-CTP Business						
Gross claims incurred and related expenses - Undiscounted	-	-	**-**	-	(1)	**(1)**
Reinsurance and other recoveries - Undiscounted	-	-	**-**	-	(3)	**(3)**
Net Claims Incurred	-	-	**-**	-	(4)	**(4)**
Total Net Claims Incurred	403 360	21 520	**424 880**	403 360	21 516	**424 876**

20. Net Claims Incurred (continued)

Direct Business	CTP Current Year $'000	CTP Prior Years $'000	CTP 2007 Total $'000	MAC Current Year $'000	MAC Prior Years $'000	MAC 2007 Total $'000
Gross claims incurred and related expenses - Undiscounted	464 875	(20 667)	444 208	464 875	(20 667)	444 208
Reinsurance and other recoveries - Undiscounted	(3 254)	(9 447)	(12 701)	(3 254)	(9 447)	(12 701)
Net Claims Incurred - Undiscounted	461 621	(30 114)	431 507	461 621	(30 114)	431 507
Discount and discount movement - Gross claims incurred	(101 258)	62 074	(39 184)	(101 258)	62 074	(39 184)
Discount and discount movement - Reinsurance and other recoveries	783	537	1 320	783	537	1 320
Net Discount Movement	(100 475)	62 611	(37 864)	(100 475)	62 611	(37 864)
Net Claims Incurred	361 146	32 497	393 643	361 146	32 497	393 643
Non-CTP Business						
Gross claims incurred and related expenses - Undiscounted	-	-	-	-	2	2
Reinsurance and other recoveries - Undiscounted	-	-	-	-	(504)	(504)
Net Claims Incurred	-	-	-	-	(502)	(502)
Total Net Claims Incurred	361 146	32 497	393 643	361 146	31 995	393 141

21. Commitments

Operational Expenditure Commitments	CTP **2008**	CTP 2007	MAC **2008**	MAC 2007
Sponsorship Expenditure*:	**$'000**	$'000	**$'000**	$'000
Contracted but not provided for and payable:				
Not later than one year	**500**	500	**500**	500
Later than one year but no later than five years	**1 500**	2 000	**1 500**	2 000
	2 000	2 500	**2 000**	2 500

* The amounts indicated above are contract amounts and do not allow for CPI adjustments.

Management Agreements

MAC has extended its contractual arrangements with Allianz Australia Insurance Limited (AAL) for the provision of the claims management operations of the Fund for a further period expiring on 31 December 2012. The initial contract arrangements with AAL commenced on 1 July 2003. A base management fee is payable each year to AAL until the contract period concludes. AAL is part of Allianz AG.

22. Segment Information

The entity's predominant operation is that of the CTP insurer in South Australia.

23. Auditor's Remuneration

	CTP **2008** **$'000**	CTP 2007 $'000	MAC **2008** **$'000**	MAC 2007 $'000
Amounts received or due and receivable for auditing the accounts of the entity:				
Auditor-General's Department	**101**	99	**112**	110

The auditors provided no other services to the entity during the financial year.

24. Employee Benefits

Aggregate liability for employee benefits including on-costs:				
Current:				
Employee benefits provision:				
Annual leave	**-**	-	**280**	227
On-costs	**-**	-	**49**	49
	-	-	**329**	276
Non-Current:				
Employee benefits provision:				
Long service leave	**-**	-	**142**	119
	-	-	**142**	119
	-	-	**471**	395

25. Reconciliation of Net Cash

(1) Reconciliation of Cash

Cash	**8 801**	5 709	**9 549**	7 408
Deposits at call	**878**	42 445	**878**	42 445
	9 679	48 154	**10 427**	49 853

(2) Reconciliation of Net Cash Inflows from Operating Activities

	CTP		MAC	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Net profit	**(144 589)**	97 753	**(145 720)**	98 021
Add (Less): Non-cash items:				
Depreciation	**-**	-	**7**	35
Loss on disposal of assets	**-**	-	**-**	127
Amounts set aside to provisions	**285**	-	**285**	-
(Profit) Loss on sale and revaluation to market value of investments	**102 084**	(98 979)	**102 084**	(98 979)
Increase in taxes payable and provisions	**-**	-	**5**	2
Net cash outflows from operating activities before changes in assets and liabilities	**(42 220)**	(1 226)	**(43 339)**	(794)
Change in assets and liabilities:				
(Increase) Decrease in investments	**(106 064)**	(101 159)	**(106 059)**	(101 153)
(Increase) Decrease in receivables	**(3 295)**	(840)	**(3 230)**	(977)
Increase (Decrease) in payables and provisions	**10 081**	6 254	**10 196**	6 327
Increase (Decrease) in outstanding claims	**97 181**	83 795	**97 176**	83 783
Increase (Decrease) in unearned premium	**5 842**	1 602	**5 842**	1 602
Net Cash Outflows from Operating Activities	**(38 475)**	(11 574)	**(39 414)**	(11 212)

26. Sufficient Level of Solvency

Subsection 14(3) of the *Motor Accident Commission Act 1992* (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 percent of the outstanding claims liabilities, 10 percent of the premium liabilities provision and 10 percent 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 percent probability of sufficiency that the provisions will be adequate.

As at 30 June 2008, the sufficient solvency target was $2060.5 million ($1966.1 million) which compares to the Fund's assets of $2092.0 million ($2136.1 million) and this equates to 101.5 percent (108.6 percent) of the required level of sufficient solvency.

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 2008.
- 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 subsection 21(1) of the MAC Act.

27. Contingent Assets and Liabilities

Insurance underwriting by its very nature has liabilities contingent upon certain events occurring which give rise to a claim under the policy of insurance. All of the known and expected claims in respect of events that have occurred up to balance date have been accounted for in the preparation of these financial statements. Occasionally certain claims may require legal judgment to determine a suitable settlement. The result of such legal arbitration may result in a liability to the entity different to that incorporated in these accounts.

28. External Consultants used during the Financial Year

	2008	2007
	$'000	$'000
Total amount paid or due and payable to external consultants during the financial year	**325**	270

	2008	2007
	Number of Consultancies	Number of Consultancies
The number and value of consultancies were:		
Below $10 000	**7**	11
Between $10 000 and $50 000	**4**	2
Above $50 000	**2**	2

29. Directors' Remuneration

The names of each person holding the position of director of the entity during the financial year are:

J H Brown
R A Cook
A M Gallacher
B G Rowse
T R Groom
Y Sneddon
D J Watkins
K A Weir

29. Directors' Remuneration (continued)

	2008	2007
	$'000	$'000
Total income paid or payable, or otherwise made available, to all directors of the entity from the entity	**271**	258

The number of directors of the entity whose income from the entity falls within the following bands:	**2008 Number of Directors**	2007 Number of Directors
$0 - $9 999	**1**	1
$30 000 - $39 999	**6**	6
$40 000 - $49 999	**-**	1
$50 000 - $59 999	**1**	-

Directors of the entity receive remuneration in the form of statutory fees. In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration from the entity during the financial year.

Superannuation and Retirement Benefits

Directors of the entity are not paid superannuation or retirement benefits for their activities associated with the entity other than the amount set aside by the entity in compliance with the Superannuation Guarantee Charge of $22 000 ($22 000).

30. Employees' and Executives' Remuneration

	2008	2007
	$'000	$'000
Salaries and wages	**1 595**	1 280
Long service leave	**(9)**	17
Annual leave	**62**	25
Employment on-costs:		
Superannuation	**400**	285
Other	**160**	110
Board fees	**249**	236
Total Employee Benefit Expense	**2 457**	1 953

	2008	2007
Total income in respect of the financial year received, or due and receivable, from the entity by executive officers of the entity whose income is $100 000 or more	**906**	786

The number of MAC executive officers whose remuneration from MAC falls within the following bands:	**2008 Number**	2007 Number
$100 000 - $109 999	**-**	3
$110 000 - $119 999	**2**	1
$120 000 - $129 999	**1**	1
$150 000 - $159 999	**1**	-
$160 000 - $169 999	**1**	-
$220 000 - $229 999	**-**	1
$240 000 - $249 999	**1**	-

31. Related Parties

Apart from the details disclosed in this Note, no director has entered into a contract with the entity since the end of the previous financial year and there were no contracts involving directors' interests existing at year-end.

Directors' Transactions with the Entity

The entity sold CTP insurance to directors of the entity 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.

Directors of the entity may hold positions in other entities in which the entity invests funds 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 and Functions

The Museum Board (the Board) is established pursuant to the *South Australian Museum Act 1976*. The Board is responsible for the management of the South Australian Museum. For details of the Board's functions, refer to Note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and subsection 16(2) of the *South Australian Museum Act 1976* provide for the Auditor-General to audit the accounts of the Museum Board for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess 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.

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

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 statements and internal controls.

During 2007-08, specific areas of audit attention included:

- expenditure, including accounts payable and payroll
- revenue, including sponsorship arrangements
- property, plant and equipment
- Heritage Collections stocktakes
- risk management.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Museum Board as at 30 June 2008, and 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 (including the Australian Accounting Interpretations).

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 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 arising during the course of the audit were raised in a management letter to the Director. The principal matters raised related to the need to account for in-kind sponsorship and to adopt a more formal process for stocktakes of the heritage collections, including maintaining evidence of the stocktake process.

The response to the management letter was satisfactory.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

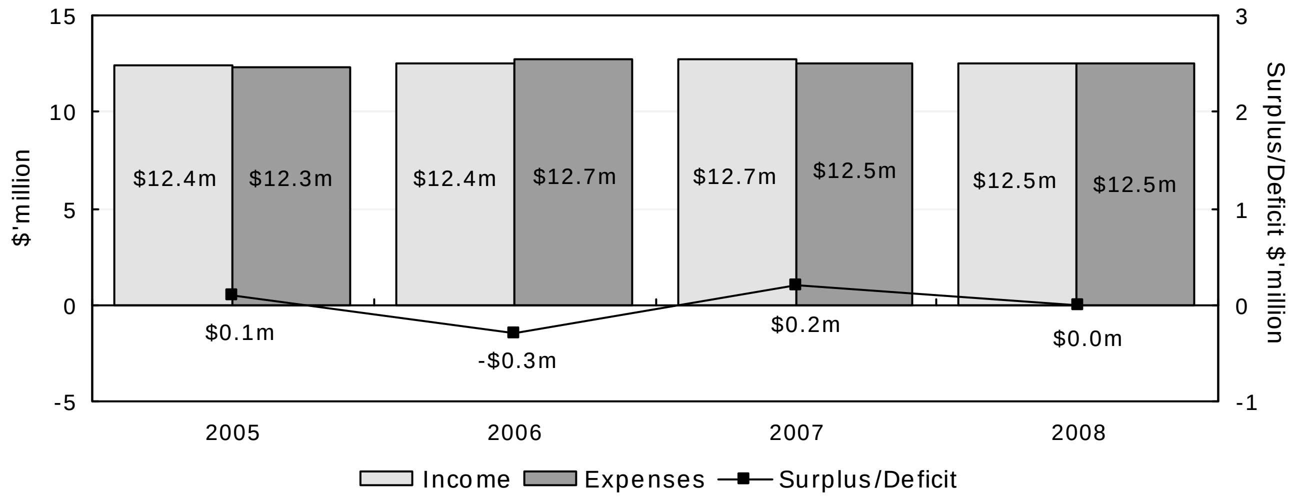
	2008 $'million	2007 $'million	Percentage Change
INCOME			
State Government grants	**8.2**	8.6	(5)
Other revenue	**4.3**	4.1	5
Total Income	**12.5**	12.7	(2)
EXPENSES			
Employee benefits	**5.3**	4.9	8
Other expenses	**7.2**	7.6	(5)
Total Expenses	**12.5**	12.5	-
NET RESULT	**-**	0.2	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	**0.2**	1.3	(85)
ASSETS			
Current assets	**4.2**	4.4	(5)
Non-current assets	**179.9**	175.2	3
Total Assets	**184.1**	179.6	3
LIABILITIES			
Current liabilities	**0.9**	0.9	-
Non-current liabilities	**1.2**	1.1	9
Total Liabilities	**2.1**	2.0	5
EQUITY	**182.0**	177.6	2

Income Statement

Net Result

The Museum recorded a deficit of $19 000, as compared with a surplus of $192 000 last year.

The following chart shows the income, expenses and surpluses/deficits for the four years to 2008.



Balance Sheet

The total assets of the Museum Board at 30 June 2008 were $184 million, of which $145 million (79 percent) relates to the Museum's heritage collections.

Income Statement
for the year ended 30 June 2008

	Note	**2008 $'000**	2007 $'000
EXPENSES:			
Employee benefits	4	**5 284**	4 898
Supplies and services	6	**3 898**	4 166
Accommodation and facilities	7	**2 022**	2 000
Depreciation	8	**1 162**	1 176
Grants and subsidies		**93**	102
Other	9	**-**	135
Total Expenses		**12 459**	12 477
INCOME:			
Grants	11	**784**	1 153
Sale of goods		**13**	246
Fees and charges	12	**341**	607
Donations		**172**	128
Donations of heritage assets		**986**	85
Sponsorships		**667**	642
Interest		**258**	211
Resources received free of charge	2.3	**491**	488
Recoveries		**289**	330
Other	13	**293**	177
Total Income		**4 294**	4 067
NET COST OF PROVIDING SERVICES		**(8 165)**	(8 410)
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government - Recurrent operating grant		**8 116**	7 602
Revenues from SA Government - Capital grant		**30**	981
Revenues from SA Government - Accrual appropriation		**-**	19
Total Revenues from SA Government		**8 146**	8 602
NET RESULT		**(19)**	192

Net result is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2008

	Note	2008 $'000	2007 $'000
CURRENT ASSETS:			
Cash	22	**3 489**	3 829
Receivables	14	**672**	571
Total Current Assets		**4 161**	4 400
NON-CURRENT ASSETS:			
Property, plant and equipment	15	**35 183**	31 708
Heritage collections	16	**144 725**	143 481
Total Non-Current Assets		**179 908**	175 189
Total Assets		**184 069**	179 589
CURRENT LIABILITIES:			
Payables	17	**218**	277
Short-term employee benefits	18	**663**	581
Short-term provisions	19	**42**	36
Total Current Liabilities		**923**	894
NON-CURRENT LIABILITIES:			
Payables	17	**93**	88
Long-term employee benefits	18	**999**	918
Long-term provisions	19	**110**	98
Total Non-Current Liabilities		**1 202**	1 104
Total Liabilities		**2 125**	1 998
NET ASSETS		**181 944**	177 591
EQUITY:			
Retained earnings		**133 378**	133 397
Asset revaluation reserve		**48 566**	44 194
TOTAL EQUITY		**181 944**	177 591

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	20
Contingent assets and liabilities	21

Statement of Changes in Equity
for the year ended 30 June 2008

	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
BALANCE AT 30 JUNE 2006	44 194	133 205	177 399
Net result for 2006-07	-	192	192
BALANCE AT 30 JUNE 2007	44 194	133 397	177 591
Gain on revaluation of land during 2007-08	1 960	-	1 960
Gain on revaluation of buildings during 2007-08	2 412	-	2 412
Net Income Recognised Directly in Equity for 2007-08	4 372	-	4 372
Net result for 2007-08	-	(19)	(19)
Total Recognised Income and Expense for 2007-08	-	(19)	(19)
BALANCE AT 30 JUNE 2008	**48 566**	**133 378**	**181 944**

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

Cash Flow Statement
for the year ended 30 June 2008

	Note	**2008 Inflows (Outflows) $'000**	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefits		**(5 076)**	(4 777)
Supplies and services		**(3 374)**	(3 651)
Accommodation and facilities		**(2 099)**	(1 925)
Grants and subsidies		**(93)**	(102)
Cash used in Operations		**(10 642)**	(10 455)
CASH INFLOWS:			
Grants		**591**	1 119
Sale of goods		**12**	253
Fees and charges		**340**	651
Donations		**173**	128
Sponsorships		**780**	319
Interest		**253**	208
Recoveries		**300**	344
Other		**230**	179
Cash generated from Operations		**2 679**	3 201
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government - Recurrent operating grant		**8 116**	7 602
Receipts from SA Government - Capital grant		**30**	981
Receipts from SA Government - Accrual appropriation		**-**	19
Cash generated from SA Government		**8 146**	8 602
Net Cash provided by Operating Activities	22	**183**	1 348
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Payments for heritage collections		**(259)**	-
Payments for property, plant and equipment		**(265)**	(1 129)
Cash used in Investing Activities		**(524)**	(1 129)
CASH INFLOWS:			
Proceeds from debtor		**1**	-
Cash generated from Investing Activities		**1**	-
Net Cash used in Investing Activities		**(523)**	(1 129)
NET (DECREASE) INCREASE IN CASH		**(340)**	219
CASH AT 1 JULY		**3 829**	3 610
CASH AT 30 JUNE	22	**3 489**	3 829

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Museum Board

The functions of the Museum Board (the Board), as prescribed under the *South Australian Museum Act 1976*, are as follows:

- Undertake the care and management of the Museum.
- Manage all lands and premises vested in, or placed under the control of, the Board.
- Manage all funds vested in, or under the control of the Board and to apply those funds in accordance with the terms and conditions of any instrument of trust or other instrument affecting the disposition of those moneys.
- Carry out, or promote, research into matters of scientific and historical interest.
- Accumulate and care for objects and specimens of scientific or historical interest.
- Accumulate and classify data in regard to any such matters.
- Disseminate information of scientific or historical interest.
- Perform any other functions of scientific, educational or historical significance that may be assigned to the Board by regulation.

2. Summary of Significant Accounting Policies

2.1 Statement of Compliance

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs, TIs and APSs promulgated under the provision of the PFAA.

AASs include AIFRS and AAS 29. 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 2008. Refer to Note 3.

2.2 Basis of Preparation

The preparation of the financial report 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, these are outlined in the applicable Notes;
- compliance with APSs issued pursuant to section 41 of the PFAA, by authority of TI 19. 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, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies;

  (b) expenses incurred as a result of engaging consultants;

  (c) employee TVSP information;

  (d) employees whose normal remuneration is $100 000 or more (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 Board's Income Statement, Balance Sheet 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 Cash Flow Statement has been prepared on a cash basis.

The financial report has been prepared based on a 12 month operating cycle and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2008 and the comparative information presented for the year ended 30 June 2007.

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, admissions, donations, bequests, sponsorships 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 Income Statement to the extent 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

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. 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.

Resources received free of charge

Resources received free of charge are recorded as revenue and expenditure in the Income Statement at their fair value.

Under an arrangement with Arts SA and Artlab Australia, divisions of the Department of the Premier and Cabinet, 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 (Note 6).

Under an arrangement with the Services Division of the Department of the Premier and Cabinet, 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 (Note 6).

2.5 *Current and Non-Current Items*

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.

2.6 *Cash*

Cash in the Balance Sheet includes cash at bank and cash on hand.

For the purposes of the Cash Flow Statement, cash is defined above. Cash is measured at nominal value.

2.7 *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.

The ability to collect trade 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 Board will not be able to collect the debt.

2.8 *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 the 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 $5000 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.

2.9 *Valuation of Non-Current Assets*

All non-current tangible 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.

Every three years the Board revalues its land, buildings and heritage collections. 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 tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

2.9 Valuation of Non-Current Assets (continued)

Any revaluation increment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrement of the same asset class previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement.

Any revaluation decrement is recognised in the Income Statement, 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 asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve 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 de-recognition, any revaluation reserve 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 2008 by the Australian Valuation Office.

Plant and Equipment
Plant and equipment, including computer equipment, on acquisition has been deemed to be held at fair value.

Heritage Collections
The Board's collections were revalued as at 30 June 2006 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 Taxation Incentives for the Arts Scheme.

Cost of recovery valuation has been applied to those collections that were previously valued at zero under deprival value methodology. These 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.

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 and to verify the valuations applied by internal specialists via sampling techniques, and to carry out independent valuation where required.

Heritage collections deemed to have market value are Australian Ethnology, Foreign Ethnology, Malacology, Butterflies, Industrial History Collection, Mineralogy, Museum Library 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 and Mammalogy.

The external valuations were carried out by the following recognised industry experts:

Collection	*Industry Expert*
Australian Ethnology	Macaulay Partners
Museum Library and Rare Books	M Treloar and P Horn
Malacology (Marine Invertebrates)	W Rumble
Butterflies (Terrestrial Invertebrates)	L Mound
Mammalogy	R Schodde
Australian Polar Collection	M Treloar

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, Archives, Palaeontology and Archaeology.

2.10 Impairment of Assets

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 asset revaluation reserve.

2.11 Depreciation of Non-Current Assets

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each non-current asset over its expected useful life, except for land and heritage collections, which are not depreciable. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

Class of Asset	*Useful Life (Years)*
Buildings and improvements	20-100
Plant and equipment	5-15
Computer equipment	3-5

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.

2.12 Payables

Payables include creditors, accrued expenses and employment 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.

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

2.13 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 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 employees is estimated to be less than the annual entitlement of sick leave.

(i) Salaries, Wages and Annual Leave

Liabilities for salaries, wages and annual leave have been recognised as the amount unpaid at the reporting date. The liability for annual leave has been calculated at nominal amounts based on current remuneration rates as at reporting date. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. 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.

(ii) Long Service Leave

A liability for long service leave is recognised after an employee has completed six and a half years of service. An actuarial assessment of long service leave, undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector, determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Board's experience of employee retention and leave taken.

(iii) On-Costs

Employee benefit on-costs (payroll tax, WorkCover 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.

The Department of Treasury and Finance centrally recognises the superannuation liability, for the schemes operated by the State Government, in the whole-of-government financial statements.

2.14 Workers Compensation Provision
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 Division of the Department of the Premier and Cabinet.

2.15 Leases
The Board has entered into a number of operating lease agreements for accommodation, vehicles and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Income Statement on a straight-line basis over the lease term.

2.16 Comparative Information
The presentation and classification of items in the financial report 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 report has been amended the comparative amounts have been reclassified unless reclassification is impracticable.

The restated comparative amounts do not replace the original financial report for the proceeding period.

2.17 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 Balance Sheet as the Board is a member of an approved GST group of which Arts SA, a division of the Department of the Premier and Cabinet, 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 Cash Flow Statement.

2.18 State Government Funding
The financial report is presented under the assumption of ongoing financial support being provided to the Board by the State Government.

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

2.20 Insurance
The Board has arranged, through SAICORP, a division of the South Australian Government Financing Authority, to insure all major risks of the Board. The excess payable is fixed under this arrangement.

2.21 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 Balance Sheet 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.

2.22 Segment Reporting
The Board's predominant operation in South Australia is to care for the State's collections and research and disseminate matters of scientific and historical importance.

3. Changes in Accounting Policies
The AASs and Interpretations that have recently been issued or amended but are effective, have not been adopted by the Board for the reporting period ending 30 June 2008. The Board has assessed the impact of the new and amended Standards and considers there will be no impact on the accounting policies or the financial report of the Board.

4. Employee Benefits

	2008	2007
	$'000	$'000
Salaries and wages	**4 282**	3 885
Long service leave	**168**	214
Annual leave	**33**	63
Employment on-costs - Superannuation	**492**	432
Employment on-costs - Other	**244**	245
Board fees	**18**	18
Other employee related expenses	**47**	41
Total Employee Benefits	**5 284**	4 898

Remuneration of Employees	**2008**	2007
The number of employees whose remuneration received or receivable falls within the following bands:	**Number of Employees**	Number of Employees
$100 000 - $109 999	**4**	2
$110 000 - $119 999	**1**	-
$120 000 - $129 999	**-**	1
$160 000 - $169 999	**1**	-
Total Number of Employees	**6**	3

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and other salary sacrifice benefits. The total remuneration received by these employees for the year was $690 000 ($334 000).

Targeted Voluntary Separation Packages (TVSPs)

There were no TVSPs paid in either 2007-08 or 2006-07.

5. Remuneration of Board and Committee Members

Members that were entitled to receive remuneration for membership during the 2007-08 financial year were:

- Museum Board (8 Members)
- Aboriginal Advisory Committee (5 Members)

Museum Board	*Aboriginal Advisory Committee*
Mr J Ellice-Flint	Mr P Ah Chee
Mr A Simpson	Mr L O'Brien
Mr P Ah Chee	Ms L O'Donohue
Mr R Edwards	Mr D Ross
Dr S Carthew	Ms B Marika
Ms N Bensimon	
Ms E D Perry	
Ms N Buddle*	

The number of members whose remuneration received or receivable falls within the following bands:	**2008 Number**	2007 Number
$0 - $9 999	**13**	13
Total Number of Members	**13**	13

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees. The total remuneration received by members was $18 000 ($18 000).

Amounts paid to a superannuation plan for board/committee members were $1500 ($1500).

* In accordance with the Department of the Premier and Cabinet 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.

6. Supplies and Services

Supplies and Services provided by Entities external to the SA Government:	**2008 $'000**	2007 $'000
Cost of goods sold	**8**	91
Marketing	**175**	238
Administration	**388**	278
IT services and communications	**126**	84
Maintenance	**87**	16
Collections	**39**	46
Exhibitions	**154**	337
Research	**597**	537
Travel and accommodation	**206**	204
Contractors	**318**	340
Motor vehicle expenses	**4**	25
Minor equipment	**97**	89
Fees	**121**	293
Consultants	**76**	37
Entertainment	**78**	32
Other	**214**	207
Total Supplies and Services - Non-SA Government Entities	**2 688**	2 854

6. Supplies and Services (continued)

	2008	2007
Supplies and Services provided by Entities within the SA Government:	$'000	$'000
Insurance and risk management	309	347
Marketing	2	3
Administration	10	9
IT services and communications	153	165
Maintenance	80	55
Artlab conservation work	293	236
Business services charge	197	252
Collections	16	-
Research	58	114
Travel and accommodation	5	5
Motor vehicle expenses	41	46
Minor equipment	9	5
Fees	-	14
Other	37	61
Total Supplies and Services - SA Government Entities	**1 210**	1 312
Total Supplies and Services	**3 898**	4 166

Payments to Consultants

The dollar amount of consultancies paid/payable that fell within the following bands:	2008 Number	2008 $'000	2007 Number	2007 $'000
$0 - $9 999	13	62	2	6
$10 000 - $50 000	1	14	2	31
Total Paid/Payable to the Consultants Engaged	**14**	**76**	4	37

7. Accommodation and Facilities

	2008	2007
Accommodation and Facilities provided by Entities external to the SA Government:	$'000	$'000
Accommodation	280	272
Facilities	223	272
Security	665	713
Total Accommodation and Facilities - Non-SA Government Entities	**1 168**	1 257
Accommodation and Facilities provided by Entities within the SA Government:		
Accommodation	318	312
Facilities	534	425
Security	2	6
Total Accommodation and Facilities - SA Government Entities	**854**	743
Total Accommodation and Facilities	**2 022**	2 000

8. Depreciation

	2008	2007
Buildings and improvements	1 087	1 087
Plant and equipment	67	82
Computer equipment	8	7
Total Depreciation	**1 162**	1 176

9. Other Expenses

	2008	2007
Other Expenses Paid/Payable to Entities external to the SA Government:		
Donation of assets	-	135
Total Other Expenses - Non-SA Government Entities	**-**	135

The Board donated inventory to the South Australian Museum Foundation Inc in 2006-07.

10. Auditor's Remuneration

	2008	2007
Audit fees paid/payable to the Auditor-General's Department	23	24
Total Audit Fees - SA Government Entities	**23**	24

Other Services

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

11. Grants

	2008	2007
State Government grants	9	283
Other general grants	410	388
Commonwealth grants	365	482
Total Grants	**784**	1 153

12. Fees and Charges

	2008 $'000	2007 $'000
Admissions	**13**	299
Functions	**75**	96
Fees for service	**133**	100
Other	**120**	112
Total Fees and Charges	**341**	607

13. Other Income

Other Income Received/Receivable from Entities external to the SA Government:		
Rent	**-**	19
Exhibition hire	**47**	1
Other	**221**	137
Total Other Income - Non-SA Government Entities	**268**	157
Other Income Received/Receivable from Entities within the SA Government:		
Other	**25**	20
Total Other Income - SA Government Entities	**25**	20
Total Other Income	**293**	177

14. Receivables

Receivables from entities external to the SA Government	**638**	537
Total Receivables - Non-SA Government Entities	**638**	537
Receivables from entities within the SA Government	**34**	34
Total Receivables - SA Government Entities	**34**	34
Total Receivables	**672**	571

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 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 to Note 23.
(b) Categorisation of financial instruments and risk exposure information - refer to Note 23.

15. Property, Plant and Equipment

	2008 $'000	2007 $'000
Land, Buildings and Improvements:		
Land at valuation	**7 440**	5 480
Buildings and improvements at valuation	**58 693**	51 052
Buildings and improvements at cost	**-**	1 192
Works in progress	**279**	43
Accumulated depreciation	**(31 441)**	(26 318)
Total Land, Buildings and Improvements	**34 971**	31 449
Plant and Equipment:		
Plant and equipment at cost (deemed fair value)	**1 465**	1 436
Accumulated depreciation	**(1 260)**	(1 193)
Total Plant and Equipment	**205**	243
Computer Equipment:		
Computer equipment at cost (deemed fair value)	**52**	52
Accumulated depreciation	**(45)**	(36)
Total Computer Equipment	**7**	16
Total Property, Plant and Equipment	**35 183**	31 708

Valuation of Non-Current Assets

Valuation of land, buildings and improvements was performed by the Australian Valuation Office as at 30 June 2008.

Reconciliation of Property, Plant and Equipment

	Land $'000	Buildings and Improve-ments $'000	Works in Progress $'000	Plant and Equipment $'000	Computer Equipment $'000	**2008 Total $'000**
Carrying amount at 1 July	5 480	25 926	43	243	16	**31 708**
Additions	-	-	236	29	-	**265**
Revaluation increment	1 960	2 412	-	-	-	**4 372**
Depreciation expense	-	(1 086)	-	(67)	(9)	**(1 162)**
Carrying Amount at 30 June	7 440	27 252	279	205	7	**35 183**

16. Heritage Collections

	2008 At Valuation $'000	2008 At Cost $'000	2008 Total $'000	2007 At Valuation $'000	2007 At Cost $'000	2007 Total $'000
Social/Industrial History	**239**	**-**	**239**	239	-	239
Australian Aboriginal Ethnographic	**20 637**	**258**	**20 895**	20 211	-	20 211
Foreign Ethnology	**7 027**	**-**	**7 027**	6 963	-	6 963
Australian Polar Collection	**3 744**	**-**	**3 744**	3 258	-	3 258
Minerals	**16 945**	**-**	**16 945**	16 945	-	16 945
Malacology	**4 110**	**-**	**4 110**	4 110	-	4 110
Butterflies	**35**	**-**	**35**	35	-	35
Australian Biological Tissue Bank	**7 352**	**-**	**7 352**	7 352	-	7 352
Australian Helminthological Collection	**11 727**	**-**	**11 727**	11 727	-	11 727
Entomology	**31 686**	**-**	**31 686**	31 686	-	31 686
Arachnology	**4 795**	**-**	**4 795**	4 795	-	4 795
Marine Invertebrates	**8 923**	**-**	**8 923**	8 913	-	8 913
Ichthyology	**1 819**	**-**	**1 819**	1 819	-	1 819
Herpetology	**4 200**	**-**	**4 200**	4 200	-	4 200
Ornithology	**8 939**	**-**	**8 939**	8 939	-	8 939
Mammalogy	**5 962**	**-**	**5 962**	5 962	-	5 962
Fossil	**719**	-	**719**	719	-	719
Library	**5 608**	-	**5 608**	5 608	-	5 608
Total Heritage Collections	**144 467**	**258**	**144 725**	143 481	-	143 481

Reconciliation of Heritage Collections

	Balance 01.07.07 $'000	Additions $'000	**Balance 30.06.08 $'000**	Balance 01.07.06 $'000	Additions $'000	Balance 30.06.07 $'000
Social/Industrial History	239	-	**239**	239	-	239
Australian Aboriginal Ethnographic	20 211	684	**20 895**	20 211	-	20 211
Foreign Ethnology	6 963	64	**7 027**	6 963	-	6 963
Australian Polar Collection	3 258	486	**3 744**	3 258	-	3 258
Minerals	16 945	-	**16 945**	16 878	67	16 945
Malacology	4 110	-	**4 110**	4 110	-	4 110
Butterflies	35	-	**35**	35	-	35
Australian Biological Tissue Bank	7 352	-	**7 352**	7 352	-	7 352
Australian Helminthological	11 727	-	**11 727**	11 727	-	11 727
Entomology	31 686	-	**31 686**	31 686	-	31 686
Arachnology	4 795	-	**4 795**	4 795	-	4 795
Marine Invertebrates	8 913	10	**8 923**	8 913	-	8 913
Ichthyology	1 819	-	**1 819**	1 819	-	1 819
Herpetology	4 200	-	**4 200**	4 200	-	4 200
Ornithology	8 939	-	**8 939**	8 939	-	8 939
Mammalogy	5 962	-	**5 962**	5 962	-	5 962
Fossil	719	-	**719**	700	19	719
Library	5 608	-	**5 608**	5 608	-	5 608
Total	143 481	1 244	**144 725**	143 395	86	143 481

17. Payables

	2008 $'000	2007 $'000
Current:		
Creditors and accruals	**119**	189
Employee on-costs	**99**	88
Total Current Payables	**218**	277
Non-Current:		
Employee on-costs	**93**	88
Total Non-Current Payables	**93**	88
Total Payables	**311**	365
Payables to Non-SA Government Entities:		
Creditors and accruals	**108**	167
Total Payables - Non-SA Government Entities	**108**	167
Payables to SA Government Entities:		
Creditors and accruals	**10**	22
Employee on-costs	**193**	176
Total Payables - SA Government Entities	**203**	198
Total Payables	**311**	365

Interest Rate and Credit Risk

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

(a) Maturity analysis of payables - refer to Note 23.
(b) Categorisation of financial instruments and risk exposure information - refer to Note 23.

18. Employee Benefits

	2008	2007
Current:	$'000	$'000
Annual leave	**382**	348
Long service leave	**186**	160
Accrued salaries and wages	**95**	73
Total Current Employee Benefits	**663**	581
Non-Current:		
Long service leave	**999**	918
Total Non-Current Employee Benefits	**999**	918
Total Employee Benefits	**1 662**	1 499

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2007-08 is $762 000 and $1 092 000 respectively.

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has not changed from the 2007 benchmark (6.5 years).

19. Provisions

	2008	2007
Current:	$'000	$'000
Provision for workers compensation	**42**	36
Total Current Provisions	**42**	36
Non-Current:		
Provision for workers compensation	**110**	98
Total Non-Current Provisions	**110**	98
Total Provisions	**152**	134

Reconciliation of the Provision for Workers Compensation

Provision at 1 July	**134**	103
Increase in provision during the year	**18**	31
Provision for Workers Compensation at 30 June	**152**	134

20. Unrecognised Contractual Commitments

Operating Lease Commitments

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

Not later than one year	**389**	430
Later than one year and not later than five years	**162**	601
Total Operating Lease Commitments	**551**	1 031

The operating lease commitments comprise:

- non-cancellable property leases, with rental payable monthly in advance. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased by the Consumer Price Index. No options exist to renew the leases at the end of their terms;
- 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;
- non-cancellable photocopier 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.

Capital Commitments

Capital commitments under contract at the reporting date, but not recognised as liabilities in the financial report, are payable as follows:

	2008	2007
	$'000	$'000
Not later than one year	**4 205**	2 800
Later than one year and not later than five years	**-**	1 000
Total Capital Commitments	**4 205**	3 800

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:

	2008 $'000	2007 $'000
Not later than one year	**235**	277
Later than one year and not later than five years	**498**	793
Total Remuneration Commitments	**733**	1 070

Amounts disclosed include commitments arising from executive and other service contracts. The Board does not offer remuneration contracts greater than five years.

Other Commitments

	2008	2007
Not later than one year	**900**	888
Later than one year and not later than five years	**313**	1 260
Total Other Commitments	**1 213**	2 148

The Board's other commitments are for contracts for security and cleaning. Contingent rental 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 for another 12 months.

21. Contingent Assets and Liabilities

The Museum Board is not aware of any contingent assets or liabilities as at 30 June 2008.

22. Cash Flow Reconciliation

Reconciliation of Cash

For the purposes of the Cash Flow Statement, cash includes cash on hand and at bank. Cash as at 30 June as shown in the Cash Flow Statement is reconciled to the items in the Balance Sheet as follows:

	2008 $'000	2007 $'000
Deposits with Treasurer	**3 478**	3 818
Cash on hand	**11**	11
Cash as Recorded in the Balance Sheet	**3 489**	3 829

Interest Rate Risk

Cash is recorded at its nominal amount. 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 Deposit Account titled 'Museum Board'. Deposits with the Treasurer are bearing a floating interest rate between 6.17 percent and 7.09 percent.

Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services	2008 $'000	2007 $'000
Net cash provided by operating activities	**183**	1 348
Less: Revenues from SA Government	**(8 146)**	(8 602)
Add (Less): Non-cash items:		
Depreciation of property, plant and equipment	**(1 162)**	(1 176)
Donations of heritage collections	**986**	85
Non-current assets recognised in payables	**-**	(22)
Changes in Assets and Liabilities:		
Increase in receivables	**101**	295
Decrease in inventories	**-**	(129)
Decrease in payables	**54**	8
Increase in employee benefits	**(163)**	(186)
Increase in provisions	**(18)**	(31)
Net Cost of Providing Services	**(8 165)**	(8 410)

23. Financial Instrument/Financial Risk Management

23.1 Categorisation of Financial Instruments

		2008		2007	
		Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets	Note	**$'000**	**$'000**	$'000	$'000
Cash:					
Cash	22	**3 489**	**3 489**	3 829	3 829
Receivables:					
Receivables(1)	14	**672**	**672**	571	571
Financial Liabilities					
Financial Liabilities - At Cost:					
Payables(1)	17	**311**	**311**	365	365

23.1 Categorisation of Financial Instruments (continued)

(1) Receivable and payment 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 employee on-costs which are determined via reference to the employee benefit liability to which they relate.

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 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 to any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer to Note 14 for information on the allowance for impairment in relation to receivables.

The following table discloses the ageing of financial assets, past due:

23.2 Ageing Analysis of Financial Assets

	Past Due By			
2008	**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	**598**	**53**	**21**	**672**
2007				
Not Impaired:				
Receivables	567	-	4	571

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

23.3 Maturity Analysis of Financial Assets and Liabilities

	Contractual Maturity			
2008	**Carrying Amount $'000**	**Less than 1 Year $'000**	**1-5 Years $'000**	**More than 5 Years $'000**
Financial Assets:				
Cash	**3 489**	**3 489**	**-**	**-**
Receivables	**672**	**672**	**-**	**-**
Total Financial Assets	**4 161**	**4 161**	**-**	**-**
Financial Liabilities:				
Payables	**311**	**218**	**93**	**-**
Total Financial Liabilities	**311**	**218**	**93**	**-**
2007				
Financial Assets:				
Cash	3 829	3 829	-	-
Receivables	571	571	-	-
Total Financial Assets	4 400	4 400	-	-
Financial Liabilities:				
Payables	365	277	88	-
Total Financial Liabilities	365	277	88	-

24. Events After Balance Date

There were no events occurring after balance date.

PARLIAMENTARY SUPERANNUATION SCHEME

FUNCTIONAL RESPONSIBILITY

Establishment

The Parliamentary Superannuation Scheme (the Scheme) and the South Australian Parliamentary Superannuation Board (the Board) were established under the *Parliamentary Superannuation Act 1974*. The Board is responsible to the Treasurer.

Functions

The Board is responsible for administering the Scheme, which provides for benefit payments to persons who have served as members of Parliament.

Under the *Parliamentary Superannuation Act 1974*, the Superannuation Funds Management Corporation of South Australia (Funds SA) is responsible for the investment and management of the Parliamentary Superannuation Fund.

The Board utilises the services of the Department of Treasury and Finance — State Superannuation Office to administer the Scheme.

For further details of the Scheme's administration and funding arrangements refer to Note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 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

Subsection 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 those controls are consistent with the prescribed elements of the FMF as required by TI 2.

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 2007-08, areas of review included:

- contributions from members and employers
- benefit payments
- liability for accrued benefits.

The investment and management of the Scheme assets is reviewed as part of the Funds SA audit.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Parliamentary Superannuation Scheme as at 30 June 2008, and 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 (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised over the Parliamentary Superannuation 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 Parliamentary Superannuation Scheme have been conducted properly and in accordance with law.

Communication of Audit Matters

The audit indicated that the internal controls over the Scheme's operations were satisfactory. The following matter was raised in a management letter to the officers responsible for the administration of the Scheme.

Service Level Agreement

The Board uses the staff and facilities of the State Superannuation Office to administer the Scheme. While this arrangement has been in place for a considerable time, Audit recommended that it would be good practice to establish a service level agreement that would clearly outline the terms and conditions of the arrangement, including the basis of the annual administration fee. The Board has advised that it is pursuing this matter with the Department of Treasury and Finance.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008 $'million	2007 $'million	Percentage Change
REVENUE			
Contribution revenue	**4.7**	4.8	(2)
Investment revenue	**(15.4)**	27.6	-
Total Revenue	**(10.7)**	32.4	(77)
EXPENSES			
Benefits and other expenses	**15.7**	16.4	(4)
Total Expenses	**15.7**	16.4	4
Transfer from (to) Consolidated Account	**18**	(18)	-
Operating Result	**(8.4)**	(2.0)	-
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	**15.9**	(19.7)	-
ASSETS			
Investments	**143.9**	144.3	-
Other assets	**0.3**	0.3	-
Total Assets	**144.2**	144.6	-
LIABILITIES			
Liability for accrued benefits	**150.9**	142.8	6
Other liabilities	**0.2**	0.2	-
Total Liabilities	**151.1**	143.0	6
(DEFICIT) EXCESS OF NET ASSETS OVER LIABILITIES	**(6.9)**	1.6	-

Operating Statement

The operating result for the year was a deficit of $8.4 million (deficit of $2 million). The year's result took into account:

- a transfer of $18 million from the Consolidated Account, whereas in 2006-07 $18 million was transferred to the Consolidated Account. The Treasurer approved the 2007-08 transfer on the expectation of the value of assets being held as at 30 June 2008 being less than the value of the Scheme's accrued liabilities due to the worldwide downturn in investment markets

- negative returns on investments of $15.4 million. Investment returns are further discussed in the commentary for Funds SA

- a benefits expense of $14.8 million.

Statement of Financial Position

As at 30 June 2008, there was an excess of liabilities over assets of $6.9 million. The estimated liability for accrued benefits increased by $8.1 million to $151 million for which assets of $144 million were available to pay benefits. Therefore, the fund is in deficit as at 30 June 2008. The deficit arose due to negative investment returns in 2007-08. The size of the deficit was reduced by an $18 million transfer from the Consolidated Account.

As at 30 June 2007, the Scheme was fully funded as there was an excess of assets over liabilities of $1.6 million.

The expected future benefit payments were determined using the pensioner mortality assumptions of the 2007 triennial actuarial review of the South Australian Superannuation Scheme. Refer to Note 6 'Liability for Accrued Benefits' to the Financial Report for further explanation.

In comparison, vested benefits as at 30 June 2008 were $176 million. Vested benefits represent benefits which members are entitled to receive had their membership been terminated at reporting date. Vested benefits are greater than accrued benefits as vested benefits are based on the involuntarily expiration of service. As a result members would be entitled to the benefits immediately.

FURTHER COMMENTARY ON OPERATIONS

Pensioners

The number of pensioners and pensions paid for the past four years were:

	2008	2007	2006	2005
Pensioners	**109**	107	112	97
Pensions paid ($'000)	**6 574**	6 522	5 659	5 307

Contributions by Members

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

	2008	2007	2006	2005
Contributors	**69**	69	69	69
Contributions received ($'000)	**1 007**	1 000	1 047	1 065

Operating Statement
for the year ended 30 June 2008

	Note	2008 $'000	2007 $'000
REVENUE:			
Investment revenue		**(15 395)**	27 570
Other revenue		**7**	20
Contribution revenue:			
Contributions by members		**1 007**	954
Contributions by employers		**3 150**	2 962
Rollovers from other schemes		**591**	865
Total Contribution Revenue		**4 748**	4 781
Total Revenue		**(10 640)**	32 371
EXPENSES:			
Direct investment expense	4	**827**	957
Administration expense	11	**157**	128
Benefits expense	6	**14 800**	15 344
Total Expenses		**15 784**	16 429
TRANSFER FROM (TO) CONSOLIDATED ACCOUNT	3	**18 000**	(18 000)
OPERATING RESULT FOR THE PERIOD		**(8 424)**	(2 058)

Statement of Financial Position as at 30 June 2008

	Note	2008 $'000	2007 $'000
INVESTMENTS:			
Inflation linked securities		**12 778**	11 069
Property		**14 758**	14 633
Australian equities		**45 092**	49 112
International equities		**45 154**	45 587
Fixed interest		**8 125**	6 668
Diversified strategies - Growth		**6 858**	5 851
Diversified strategies - Income		**9 634**	5 323
Cash		**1 569**	6 044
		143 968	144 287
OTHER ASSETS:			
Cash and cash equivalents	10	**252**	252
Contributions receivable		**3**	2
Sundry debtors		**7**	9
		262	263
Total Assets		**144 230**	144 550
CURRENT LIABILITIES:			
Sundry creditors		**14**	15
Benefits payable		**183**	161
Total Liabilities		**197**	176
NET ASSETS AVAILABLE TO PAY BENEFITS	5	**144 033**	144 374
Less: **LIABILITY FOR ACCRUED BENEFITS**	6	**150 897**	142 814
(DEFICIT) EXCESS OF NET ASSETS OVER LIABILITIES		**(6 864)**	1 560

Statement of Cash Flows
for the year ended 30 June 2008

	Note	**2008 Inflows (Outflows) $'000**	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Contributions Received:			
Contribution by members		**1 007**	1 000
Contribution by employers		**3 150**	3 114
Rollovers from other schemes		**591**	865
		4 748	4 979
Other receipts		**7**	20
GST recoup from ATO		**2**	5
Benefits Paid:			
Pension		**(6 574)**	(6 522)
Commutation of pension benefits		**(122)**	(94)
		(6 696)	(6 616)
Administration expense		**(157)**	(128)
Transfer from (to) Consolidated Account	3	**18 000**	(18 000)
Net Cash provided by (used in) Operating Activities	9	**15 904**	(19 740)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from Funds SA		**5 182**	23 480
Payments to Funds SA		**(21 086)**	(3 516)
Net Cash (used in) provided by Investing Activities		**(15 904)**	19 964
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		**-**	224
CASH AND CASH EQUIVALENTS AT 1 JULY		**252**	28
CASH AND CASH EQUIVALENTS AT 30 JUNE	10	**252**	252

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) *Parliamentary Superannuation Scheme*

The Parliamentary Superannuation Scheme (the Scheme) is a compulsory superannuation scheme which exists pursuant to the *Parliamentary Superannuation Act 1974* (the Act). The Act provides for the payment of superannuation benefits to persons who have served as members of Parliament and makes provisions for the families of such persons.

The *Parliamentary Superannuation (Scheme for New Members) Amendment Act 2005* (the Amendment Act) was proclaimed to come into operation on 15 September 2005. The Amendment Act amended the principal Act by closing the existing scheme (new scheme) now known as the PSS2 scheme. PSS1 (old scheme) was closed to new entrants in 1995. The current scheme is known as PSS3.

Contributions are deposited by the Treasurer into the Parliamentary Superannuation Fund (the Fund), established under section 13 of the Act. A separate division of the Fund has been established for the PSS3 scheme. The Fund is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

PSS1 and PSS2 members are entitled to pension based benefits determined in accordance with the Act to be a percentage of the members' salary. A member may elect to commute to a lump sum a percentage of their pension entitlement. PSS3 members are entitled to an accumulation style benefit.

(b) The South Australian Parliamentary Superannuation Board

The Act charges the South Australian Superannuation Parliamentary Board (the Board), a body corporate, with responsibility for all aspects of the administration of the Act except for the management and investment of the Fund. The Act also provides the Board with the necessary powers to administer the Scheme. The Board, with the approval of the Treasurer, has contracted the Under Treasurer to provide the administrative services.

Under the terms of the Act, the Board is required to determine rates of return to be credited to each division of the Fund, with those rates being credited to each contribution account at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by Funds SA for each division of the Fund.

(c) Superannuation Funds Management Corporation of South Australia

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

For further information on the investment of the Scheme, reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expense contained in these financial statements are related to the investment activities of Funds SA (an SA Government entity).

(d) Funding Arrangements

Under section 39(1) 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 ended 30 June 2008 payments were made from a Special Deposit Account.

For PSS1 and PSS2 members, section 14A of the Act requires every member of Parliament with less than 20 years and one month's service, to make contributions of 11.5 percent of their basic salary (including any additional salary) to the Treasurer. Section 14A(2) requires members of Parliament with 20 years and one month's service or over, to make contributions of 5.75 percent of their basic salary and 11.5 percent of any additional salary. PSS3 members can elect to make contributions based on a percentage of the combined value of their salary and any additional salary ranging from 0 percent to 10 percent under section 14B of the Act. A separate contribution account is maintained for each member. Members' contributions are paid to the Treasurer who deposits those contributions into the Parliamentary Superannuation Fund, with $1 007 000 ($954 000) being credited during the year ended 30 June 2008.

Employer contributions are paid to the Treasurer from SA Government entities to fund emerging superannuation liabilities. For PSS1 and PSS2 members, the employer contribution is 2.75 times the member's contribution. For PSS3 members, the employer contribution is 9 percent of salary where the member has elected to contribute less than 4.5 percent of salary. Where a member has elected to contribute 4.5 percent or more of salary, the employer must contribute at a rate of 10 percent. A separate employer contribution account is maintained for each PSS3 member. These contributions are deposited into the Scheme, with $3 150 000 ($2 962 000) being credited during the year ended 30 June 2008.

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, the effect of elections and variations in investment performance mean that deficits and surpluses will arise from year to year.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The 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 provisions of the PFAA, except as provided below.

The principal standard applied in preparing this financial report is AAS 25. Other Accounting Standards are also applied where necessary except to the extent that they differ from AAS 25. In addition, a number of AASs have been issued or amended and may be applicable to the Scheme but are not yet effective. The impact of the new and amended standards has been assessed and there will be no impact on the accounting policies.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

The financial report is prepared 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 which are provided by Funds SA.

(i) *Inflation Linked Securities*

Inflation Linked Securities portfolio comprises two sub-sectors:

- *Internally Managed*
  These investments, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer, Macquarie Bank Limited.

- *Externally Managed*
  Externally managed portfolio is invested and managed by an external manager. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(ii) *Property*

Property portfolio comprises two sub-sectors:

- *Listed Property Trusts*
  Listed property trust portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolios using market prices applicable at balance date.

- *Unlisted Property Vehicles*
  Unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.

(iii) *Australian Equities*

Australian Equities 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*

International Equities 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*

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)*

Diversified Strategies (Growth) portfolio comprises investments in domestic and overseas private equity funds and domestic and overseas pooled funds, which are invested and managed by external managers. Valuations of private equity funds are based on the most recently available valuations by the relevant managers. Both domestic and international funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (November 2005). 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)*

Diversified Strategies (Income) portfolio comprises investments in both domestic (Australian) and overseas 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*

Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(c) ***Taxation***

The scheme is constitutionally protected under the Regulations to the ITAA and is exempt from income tax.

(d) Operation of Investment Portfolio

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2008, Funds SA managed seven separate investment options distinguished by differing strategic asset allocations, namely:

- High Growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital Defensive
- Cash.

During the financial year all of the above investment options were available to PSS3 members. The assets of the remainder of the Parliamentary Superannuation Scheme are invested in the Growth option.

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

(e) 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.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Sundry Debtors includes a refund from the ATO for GST paid on administration expenses.

(f) Revenue

Superannuation contributions and other revenue are brought to account on an accrual basis.

3. Transfers from / to Consolidated Account

The Treasurer approved a transfer of $18 million from the Consolidated Account in 2007-08 ($18 million to the Consolidated Account in 2006-07).

4. Direct Investment Expenses

Direct investment expenses comprise fees paid to Funds SA and the investment managers. Funds SA advises the amount based on the Scheme's proportionate investment with the relevant investment managers.

5. Net Assets Available to Pay Benefits

		2008	2007
(a) PSS1 and PSS2 Division		**$'000**	$'000
Funds held at 1 July		**142 860**	137 517
Add:	Contributions by members	**999**	948
	Contributions by employers	**2 808**	2 663
	Transfer from Consolidated Account	**18 000**	-
	Investment revenue	**(15 141)**	27 444
	Other revenue	**7**	20
		6 673	31 075
Less:	Benefits paid	**6 717**	6 653
	Transfer to Consolidated Account	**-**	18 000
	Administration expense	**155**	128
	Direct investment expense	**815**	951
		7 687	25 732
Funds Held at 30 June		**141 846**	142 860
(b) PSS3 Division			
Funds held at 1 July		**1 514**	224
Add:	Contributions by members	**8**	6
	Contributions by employers	**342**	299
	Rollovers from other schemes	**591**	865
	Investment revenue	**(254)**	126
		687	1 296
Less:	Administration expense	**2**	-
	Direct investment expense	**12**	6
Funds Held at 30 June		**2 187**	1 514
Total Net Assets		**144 033**	144 374

6. 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.

For PSS1 and PSS2 members, the accrued liabilities are the present value of expected future benefit payments arising from membership of the scheme up to 30 June 2008. For PSS3 members, the accrued liability is the balance of the employee and employer contribution accounts as at 30 June 2008.

The expected future benefit payments have been determined using the same pensioner mortality assumptions as the 2007 triennial review of the South Australian Superannuation Scheme. The review's salary promotion scale and economic assumptions have also been used, while general salary increases of 1.5 percent per annum above the Adelaide Consumer Price Index (CPI) have been allowed for. 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. A discount rate of 4.5 percent per annum above CPI has been applied.

The accrued superannuation liability as determined by State Superannuation Office of the Department of Treasury and Finance is estimated at $150.9 million ($142.8 million) as at 30 June 2008.

	2008	2007
	$'000	$'000
Liability for accrued benefits at 1 July	**142 814**	134 123
Add: Benefits expense(i)	**14 800**	15 344
Less: Benefits paid/payable	**6 717**	6 653
Liability for Accrued Benefits at 30 June	**150 897**	142 814
Represented by:		
PSS1 and PSS2 division	**148 742**	141 300
PSS3 division	**2 155**	1 514
Liability for Accrued Benefits at 30 June	**150 897**	142 814

(i) This figure represents the change in Liability for Accrued Benefits plus Benefits Paid/Payable for the year.

7. Vested Benefits

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 value of vested benefits is greater than the Liability for Accrued Benefits, as vested benefits are based on the involuntary expiration of service, and this would result in an entitlement to benefits occurring immediately.

	2008	2007
	$'000	$'000
Vested benefits - PSS1 and PSS2 division	**173 834**	158 200
Vested benefits - PSS3 division	**2 155**	1 514
	175 989	159 714

8. Guaranteed Benefits

The entitlements of members are specified by the *Parliamentary Superannuation Act 1974*.

9. Reconciliation of Operating Result to Net Cash provided by (used in) Operating Activities

Operating result	**(8 424)**	(2 058)
Benefits expense	**14 800**	15 344
Benefits paid	**(6 717)**	(6 653)
Investment revenue	**15 395**	(27 570)
Direct investment expense	**827**	957
Decrease in sundry debtors	**2**	5
Increase in sundry creditors	**-**	1
(Increase) Decrease in contributions receivable	**(1)**	198
Increase in benefits payable	**22**	36
Net Cash provided by (used in) Operating Activities	**15 904**	(19 740)

10. Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2008	2007
	$'000	$'000
Cash and cash equivalents	**252**	252

11. Administration Expenses

	2008	2007
	$'000	$'000
Administration expenses	**(143)**	(114)
Auditor's remuneration	**(14)**	(14)
	(157)	(128)

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

Auditor's Remuneration are amounts paid or due and payable to the Auditor-General's Department (an SA Government Entity) for the audit of the Scheme for the year ended 30 June 2008. No other services were provided by the auditors.

12. Financial Instruments

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

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

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

- market risk
- credit risk
- liquidity risk.

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

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

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The Super SA Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

(a) Market Risk

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

(i) *Currency Risk*

Currency risk is the risk that the fair values or 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.

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), property and fixed interest asset sectors are fully hedged to Australian dollars
- Foreign currency exposures in the international equities asset sector are one-third 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.

(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 sub markets
- 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 provide a reasonably possible change in the value of the investments in each investment option. The standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on change in investments assets from possible changes in market price risk.

Investment Option	Sensitivity Variable	Standard Deviation Percent	**Changes in Investment Assets $'000**
2008			
High growth	Nominal standard deviation	13.30	**102**
Growth	Nominal standard deviation	11.70	**16 609**
Balanced	Nominal standard deviation	10.40	**129**
Total			**16 840**
2007			
High growth	Nominal standard deviation	12.70	76
Growth	Nominal standard deviation	11.30	16 150
Balanced	Nominal standard deviation	10.00	59
Capital defensive	Nominal standard deviation	3.60	6
Total			16 291

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 options' expected return in future years.

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 counter party 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.

2008	**Less Than Three Months $'000**	**Three Months to One Year $'000**	**Total Contractual Cash Flows $'000**	**Carrying Amount (Asset) Liabilities $'000**
Benefits payable	**183**	**-**	**183**	**183**
Sundry creditors	**14**	**-**	**14**	**14**
Vested benefits[(i)]	**175 989**	**-**	**175 989**	**175 989**
Total	**176 186**	**-**	**176 186**	**176 186**
2007				
Benefits payable	161	-	161	161
Sundry creditors	15	-	15	15
Vested benefits[(i)]	159 714	-	159 714	159 714
Total	159 890	-	159 890	159 890

(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 Estimation**

The carrying amounts of all the Scheme's financial instruments at the balance date approximated their fair values.

(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.

13. Related Parties

(a) Board Members

The following are members of the Parliamentary Superannuation Board who served during the course of the 2007-08 financial year, along with the period served.

Robert Sneath	Chairman	1 July 2007 - 30 June 2008
Jack Snelling	Member	1 July 2007 - 30 June 2008
Robert Schwarz	Member	1 July 2007 - 30 June 2008

(b) Board Members' Remuneration

Board members do not receive fees for their Board membership.

POLICE SUPERANNUATION SCHEME

FUNCTIONAL RESPONSIBILITY

Establishment

The Police Superannuation Scheme (the Scheme) and the Police Superannuation Board (the Board) were established under the *Police Superannuation Act 1990* (the PS Act). The Board is responsible to the Treasurer.

Functions

The Board is responsible for administering the Scheme which provides for benefit payments to police officers and cadets who commenced employment before 3 May 1994. The Scheme comprises of a pension and lump sum scheme. Police officers and cadets who commenced employment after 3 May 1994 became members of the Southern State Superannuation Scheme which is administered by the South Australian Superannuation Board.

The main financial administration arrangements of the Scheme involve:

- The Police Superannuation Fund (the Fund) — The Fund, established under the PS Act, records receipts to the Fund (members' contributions and revenue earned from investment of those monies) and payments from the Fund (the employee share of benefit payments and administration costs).

- The Police Superannuation Scheme Employer Contribution Account (the Account) — The Account was established to record employer contributions on behalf of the members. The employer share of the benefits paid and administration costs is met from the Account.

Under the PS Act, the Superannuation Funds Management Corporation of South Australia (Funds SA) is responsible for the investment and management of the Fund and the Account.

Amendments to the PS Act were made in late June 2008 which transferred the lump sum scheme to the Southern State Superannuation Scheme from 1 July 2008. Refer to Note 13 of the financial report.

For further details of the Scheme's administration and funding arrangements refer to Note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 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

Subsection 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 those controls are consistent with the prescribed elements of the FMF as required by TI 2.

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 2007-08 areas of review included:

- receipting and banking of contributions
- benefit payments

- administration expenses
- liability for accrued benefits.

The audit of the investment and management of the Scheme's assets is reviewed as part of the Funds SA audit.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations), the net assets of the Police Superannuation Scheme as at 30 June 2008 and the changes in net assets for the year ended 30 June 2008.

Assessment of Controls

In my opinion, the controls exercised over the Police Superannuation 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 Police Superannuation Scheme have been conducted properly and in accordance with law.

Communication of Audit Matters

The audit indicated that the internal controls over the Scheme's operations were generally satisfactory. Audit matters were detailed in a management letter to the presiding member of the Board. Matters raised included the need to document policies and procedures covering all aspects of benefit payment and bank reconciliation processes; lack of segregation of duties between the processing of contribution variations and checking for accurate processing of contributions; and evidencing the independent review of benefit payment calculations. Responses from management effectively addressed the matters raised.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

In accordance with AAS 25, the Board has elected to present their financial report in the format of a Statement of Net Assets and a Statement of Changes in Net Assets. Consequently, a Statement of Cash Flows has not been prepared and benefit related liabilities are disclosed in the Notes to the financial statements.

Highlights of the Financial Report

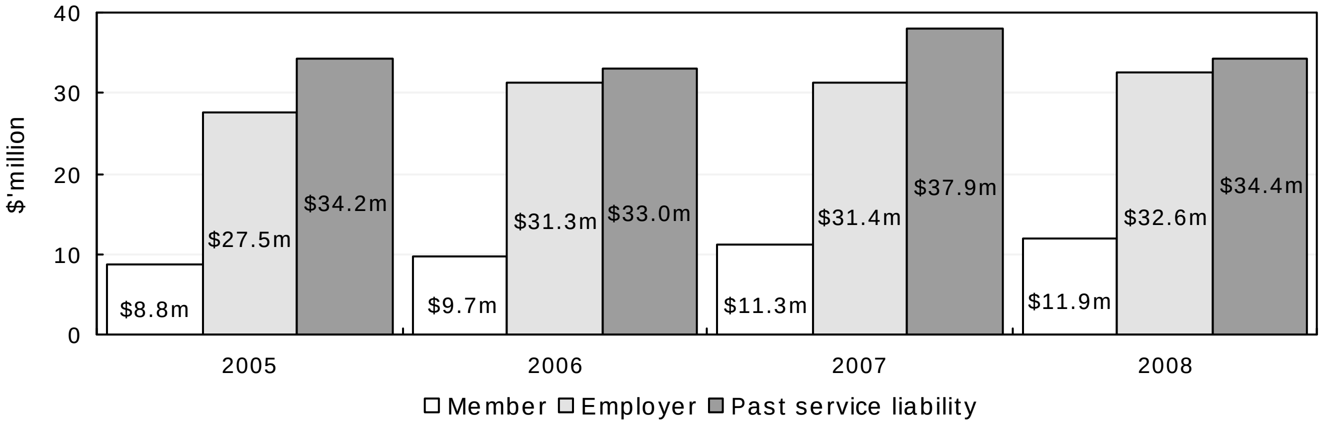
	2008	2007	Percentage
	$'million	$'million	Change
REVENUE			
Contribution revenue	**79.1**	80.9	(2)
Investment revenue	**(99.5)**	152.5	-
Other income	**0.2**	0.1	100
Total Revenue	**(20.2)**	233.5	-
EXPENSES			
Benefits paid	**54.6**	57.2	(5)
Other expenses	**5.9**	5.7	4
Total Expenses	**60.5**	62.9	(4)
Net (Decrease) Increase in Funds	**(80.7)**	170.6	-
ASSETS			
Investments	**831.2**	911.0	(9)
Other assets	**1.8**	2.5	(28)
Total Assets	**833.0**	913.5	(9)
LIABILITIES			
Current liabilities	**1.0**	0.7	43
Total Liabilities	**1.0**	0.7	43
Net Assets Available to Pay Benefits	**832.0**	912.8	(9)

Statement of Changes in Net Assets

Revenues

- Investment revenue for the year was negative $99.5 million (a positive return of $153 million).
- Contribution revenue decreased by $1.8 million to $79.1 million. Of this amount, $34.4 million ($37.9 million) was received from the Government towards funding the past service liability.

For the four years to 2008, the following chart shows an analysis of contribution revenue.



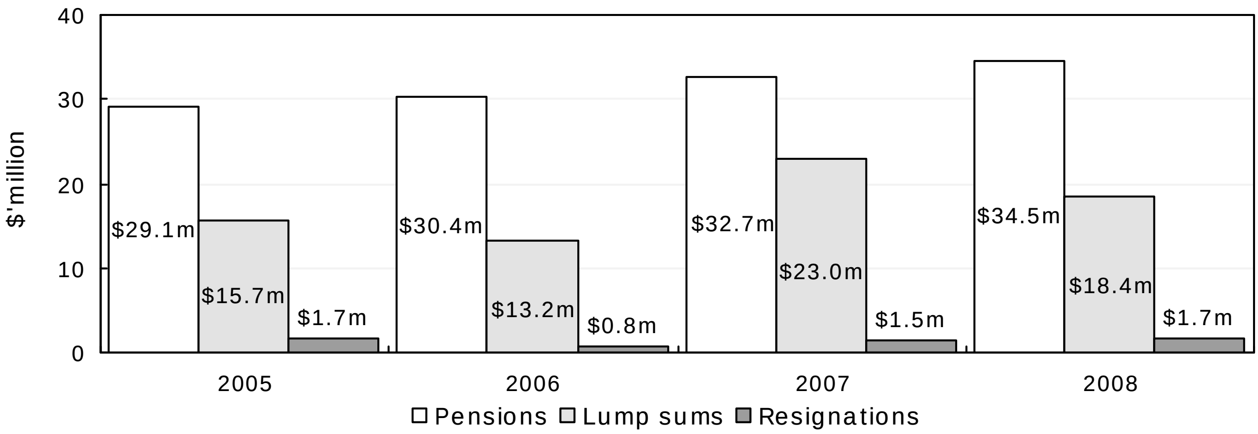
The chart shows that over the past four years member and employer contributions have steadily increased. This is expected as the Scheme is closed and therefore there are no new contributors. The increase is due mainly to increases in salaries and the employer contribution rates.

Past service liability payments represent funding from the Government to meet accrued superannuation liabilities. The Government expects to fully fund liabilities by 30 June 2034.

Expenses

Benefits paid totalled $54.6 million ($57.2 million). The pension scheme accounted for $52.7 million comprising $34.5 million taken as pensions, $16.8 million as lump sum payments and $1.4 million returned to members upon resignation from the Scheme.

For the four years to 2008, the following chart shows an analysis of benefits paid.

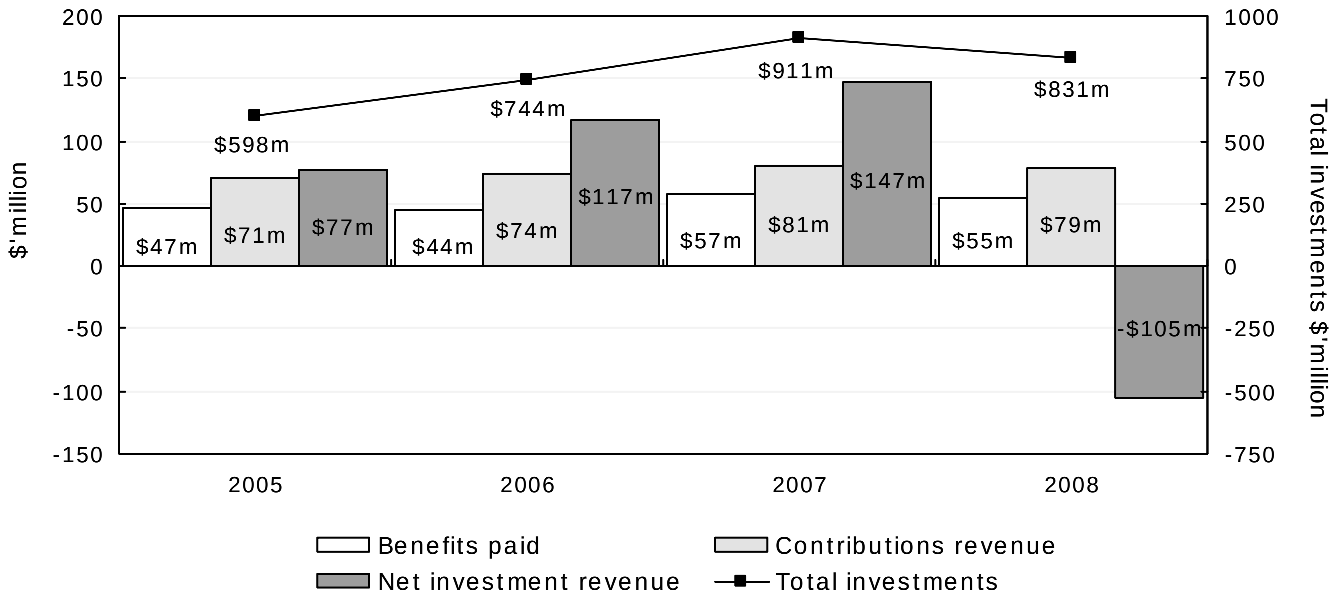


Since 2005 there has been a steady increase in pensions. This is expected as the pensions paid are affected by increases in final salary and inflation adjustments.

In 2008 lump sum payments have decreased by $4.6 million. This decrease is due mainly to decreases in retirements and commutation of pensions by old scheme members. Refer to Note 11 for a breakdown of benefits paid.

Statement of Net Assets

Investments decreased by $79.8 million to $831 million. The following chart illustrates that investments have increased by 39 percent since 2005.



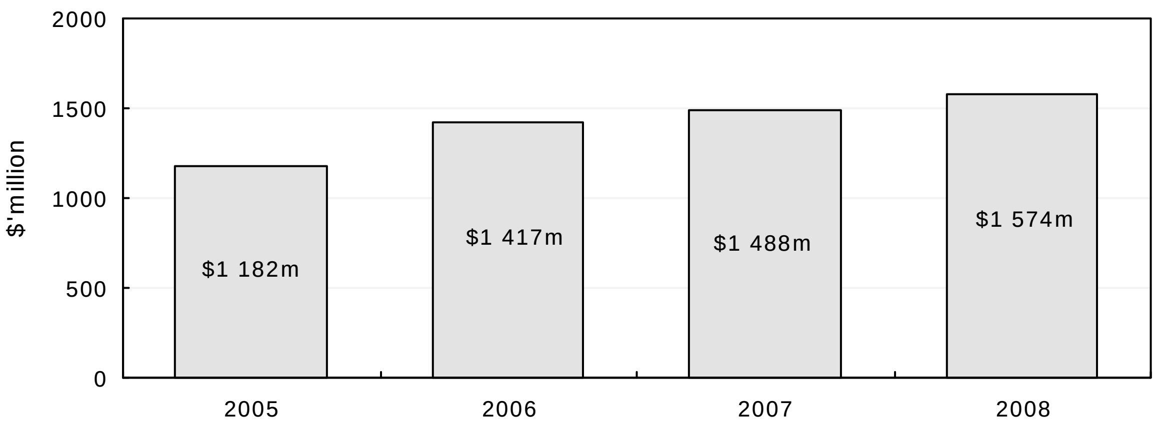
The change in investments reflects an accumulation of investment earnings and contribution revenue. Prior to 2008, investments had increased mainly due to a significant increase in investment revenue. The decrease in investments in 2008 was due to the negative returns on investments during 2007-08. Investment returns are discussed in the commentary for Funds SA.

FURTHER COMMENTARY ON OPERATIONS

Liability for Accrued Benefits

The estimated liability for accrued benefits increased by $86 million to $1574 million ($1488 million) for which net assets of $832 million ($913 million) were available to pay benefits. This has resulted in an excess of liabilities over net assets of $742 million ($575 million), which represents the unfunded liability at 30 June 2008.

For the four years to 2008, the following chart shows an analysis of the liability for accrued benefits.



An actuarial review is undertaken every three years with assumptions from this review used to calculate the accrued liability in years between reviews. The 2005 triennial actuarial review resulted in revised assumptions. The most significant change was a reduction in the pensioner mortality rates resulting in a further increase in the Liability for Accrued Benefits. In 2008 the same assumptions were applied. Refer to Note 3 of the financial report for further details.

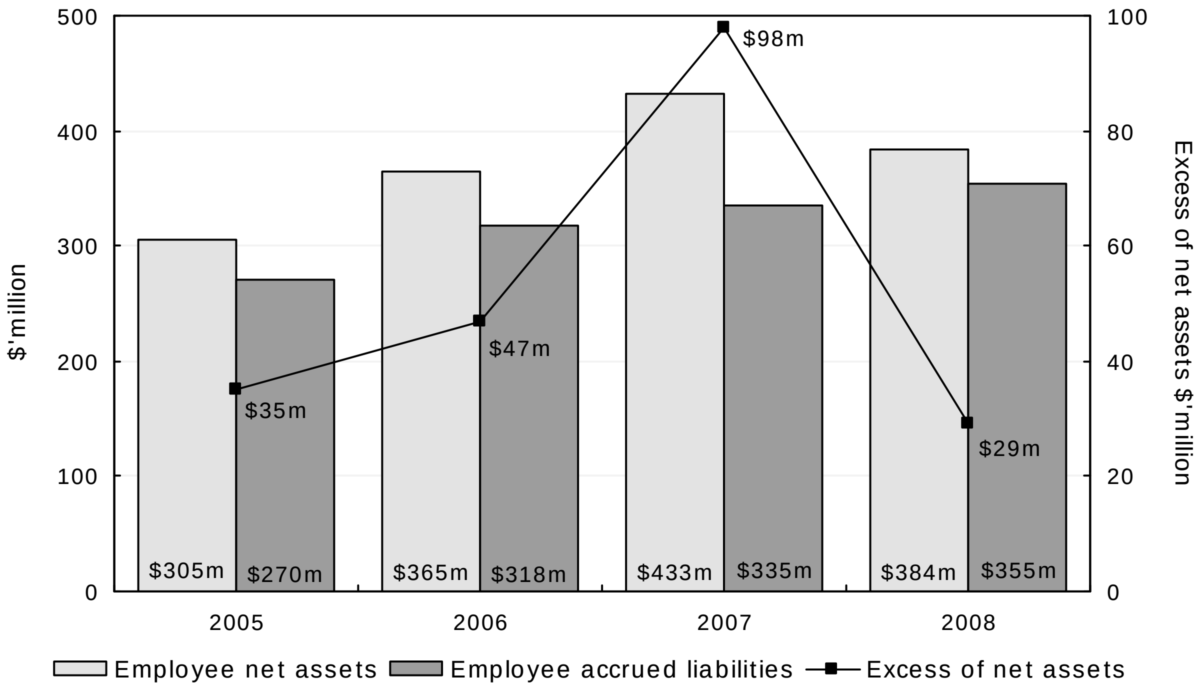
Net Assets Available to Pay Benefits

As previously mentioned, at 30 June 2008 the unfunded liability of the Scheme was $742 million.

Analysis of the Police Employer Account revealed net assets available to pay benefits of $448 million compared to an accrued liability of $1219 million. This represents a shortfall of net assets over accrued liabilities of $771 million. The Government transferred $34.4 million ($37.9 million) to the Police Employer Account as funding for the accrued past service liability.

Analysis of the Police Superannuation Fund (employee account) revealed net assets available to pay benefits of $384 million compared to an accrued liability of $355 million. This represents an excess of net assets over accrued liabilities of $29 million.

For the four years to 2008, the following chart shows an analysis of net assets available to pay benefits and accrued liabilities for the Police Superannuation Fund (employee account).



In 2008, excess of net assets has decreased by $69 million. The decrease is due mainly to negative investment returns.

Pensioners

The number of pensioners and pensions paid for the past four years were:

	2008	2007	2006	2005
Pensioners	**1 238**	1 220	1 171	1 158
Pensions paid ($'000)	**34 485**	32 652	30 398	29 089

Contributions by Members

The number of contributors and contributions received from members for the past three years were:

	2008				
	Old Scheme	**New Scheme**	**Total**	2007	2006
Contributors (excludes preserved members)	**1 832**	**362**	**2 194**	2 226	2 393
Contributions received ($'000)	**10 499**	**1 398**	**11 897**	11 289	9 714

Statement of Net Assets
as at 30 June 2008

	Note	**2008**	2007
		$'000	$'000
INVESTMENTS:			
Inflation linked securities		**73 942**	69 925
Property		**85 233**	92 460
Australian equities		**260 430**	310 345
International equities		**260 779**	288 113
Fixed interest		**46 701**	41 685
Diversified strategies - Growth		**39 510**	36 914
Diversified strategies - Income		**55 547**	33 555
Cash		**9 025**	38 002
Total Investments	9	**831 167**	910 999
OTHER ASSETS:			
Cash and cash equivalents		**705**	1 379
Contributions receivable		**1 127**	1 121
Sundry debtors		**19**	15
Total Other Assets		**1 851**	2 515
Total Assets		**833 018**	913 514
CURRENT LIABILITIES:			
Benefits payable		**814**	640
Sundry creditors		**180**	85
Total Liabilities		**994**	725
NET ASSETS AVAILABLE TO PAY BENEFITS		**832 024**	912 789

Statement of Changes in Net Assets
for the year ended 30 June 2008

	Note	2008	2007
		$'000	$'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT 1 JULY		**912 789**	742 231
REVENUE:			
Investment revenue		**(99 511)**	152 502
Other income		**164**	130
Contributions revenue:	10		
Past service liability		**34 398**	37 900
Employer contributions		**32 610**	31 384
Member contributions		**7 828**	7 919
Voluntary member contributions		**4 069**	3 370
Government co-contributions		**145**	342
Total Contribution Revenue		**79 050**	80 915
Total Revenue		**(20 297)**	233 547
EXPENSES:			
Direct investment expense	6	**5 354**	5 344
Administration expense	6	**564**	466
Benefits paid:	11		
Pensions		**34 485**	32 652
Commutation lump sums		**7 181**	9 836
Lump sums		**11 163**	13 210
Resignation benefits		**1 721**	1 481
Total Benefits Paid		**54 550**	57 179
Total Expenses		**60 468**	62 989
NET (DECREASE) INCREASE IN FUNDS		**(80 765)**	170 558
NET ASSETS AVAILABLE TO PAY BENEFITS AT 30 JUNE		**832 024**	912 789

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) Police Superannuation Scheme

The Police Superannuation Scheme (the Scheme) was created pursuant to the *Police Superannuation Act 1990* (the Act). The Act provides for superannuation benefits for Police Officers who are contributors to the Scheme.

Contributors to the Scheme may be either members of the old scheme who are entitled to a pension based benefit, or new scheme who are entitled to a lump sum based benefit. The old scheme was closed to new members in May 1990. The new scheme was closed to new members in May 1994.

Pursuant to the Act, contributors make contributions to the Scheme based on a percentage of their salary, with the standard contribution rate being between five and six percent. A contribution account is maintained for each contributor. There are no provisions under the Act for contributing members to purchase additional benefits.

The Act requires that contributions to the Scheme are paid to the Treasurer, who in turn deposits those contributions into the Police Superannuation Fund (the Fund). The Fund is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Fund is made up of two divisions, being the Old Scheme (Pension) Division and the New Scheme (Lump Sum) Division. Each division consists of the contributions and the accretions arising from the investment of those contributions. Consistent with the accounts of the Fund the accounts of the Scheme are also maintained in respect of each division.

(b) Police Superannuation Board

The Police Superannuation Board (the Board), established under the Act, is responsible for the administration of the Scheme. The Act also provides the Board with the necessary powers to administer the Scheme. The Board, with the approval of the relevant Minister, has contracted the Police Department to provide administrative services.

Pursuant to the Act, the Board is required to determine rates of return to be credited to each division of the Fund, with those rates being credited to each contribution account at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by investment of each division of the Fund.

(c) Superannuation Funds Management Corporation of South Australia

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

For further information on the investment of the Fund and the Police Superannuation Scheme Employer Contribution Account (the Police Employer Account), reference should be made to the financial report of Funds SA. The investment assets, liabilities, income and expense contained in these financial statements are related to the investment activities of Funds SA, an SA Government entity.

(d) Funding Arrangements

Pursuant to section 14 of the Act, all benefit payments are met from the Consolidated Account or a Special Deposit Account established for that purpose which is then reimbursed from the Fund and Police Employer Account. The Fund proportion is that amount charged against the contributor's contribution account. The prescribed proportion is determined by the Board, in accordance with section 14(3) of the Act, taking into account the most recent actuarial assessment.

The Treasurer may also seek reimbursement of the employer portion of the benefit payment from the Police Department which are deposited into the Police Employer Account. Employer contributions are based on a percentage of salary at rates based on actuarial valuations. From 1 July 2006 the rates for the Pension and Lump Sum divisions were set at 19.5 percent and 12.5 percent respectively.

For the year ended 30 June 2008 $32.6 million ($31.4 million) was deposited into the Police Employer Account in relation to employer contributions on behalf of members.

Since 30 June 1994 the Government adopted a policy of fully funding its superannuation liabilities with a target of achieving full funding by 2034. This will require contributions at levels higher than the current employer contributions to meet the accruing liability for current employees. For the year ended 30 June 2008 the Government transferred a further $34.4 million to the Police Employer Account to meet liabilities in respect of the Scheme ($37.9 million).

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

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

AAS 25 is the principal standard applied in preparing this financial report. Other Accounting Standards are also applied where necessary except to the extent that they differ from AAS 25. A number of AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 30 June 2008. The impact of the new and amended Standards has been assessed and there will be no impact on the accounting policies.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

The financial report is presented 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, which are provided by Funds SA.

(i) Inflation Linked Securities

The Inflation Linked Securities portfolio comprises two sub-sectors:

- *Internally Managed*

  These investments, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at the balance date was performed by an independent valuer, Macquarie Bank Limited.

- *Externally Managed*
  Externally managed portfolios are invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.

(ii) *Property*
The Property portfolio comprises two sub-sectors:

- *Listed Property Trusts*
  The listed property trust portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolios using market prices applicable at balance date.

- *Unlisted Property Vehicles*
  The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.

(iii) *Australian Equities*
The Australian Equities 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 the balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) *International Equities*
The International Equities 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 the 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 the balance date.

(vi) *Diversified Strategies (Growth)*
The Diversified Strategies (Growth) portfolio comprises investments in domestic (Australian) and overseas private equity funds and domestic (Australian) and overseas pooled funds, which are invested and managed by external managers. Valuations of private equity funds are based on the most recently available valuations by the relevant managers. Both domestic and international funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (October 2006). 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 the balance date where applicable.

(vii) *Diversified Strategies (Income)*
The Diversified Strategies (Income) portfolio comprises investments in both domestic (Australian) and overseas 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 the balance date where applicable.

(viii) *Cash*
Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(c) ***Taxation***
The investments of the Scheme are exempt from federal income tax because the Scheme has been declared as constitutionally protected under the Regulations to the ITAA. Consequently, no income tax expense has been brought to account in this financial report.

(d) ***Revenue***
Superannuation contributions are brought to account on an accrual basis. Transfers and rollovers from other schemes are brought to account when received. Other revenue is brought to account on an accrual basis.

(e) Receivables and Payables

Contributions receivable are contributions relating to the 2007-08 financial year received by the Scheme after 30 June 2008.

Other receivables are carried at nominal amounts due which approximate fair value. Other payables are recognised when the Scheme is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable relate to members who have ceased employment and provided the Scheme with appropriate notification prior to 30 June 2008 but who had not been paid until after 30 June 2008.

(f) 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.

Receivables and payables in the Statement of Net Assets are shown exclusive of GST.

(g) Comparative Information

The presentation and classification of items in the financial report 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 report has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

3. Liability for Accrued Benefits

The accrued liabilities of the Scheme as determined by the Department of Treasury and Finance are shown below.

The accrued liabilities are the present values of expected future benefit payments arising from membership of the Schemes up to 30 June 2008 based on membership data as at 30 June 2007.

The expected future benefit payments have been determined using the 2005 triennial review assumptions relating to mortality, disability, withdrawal, preservation, and retirement. The review's salary promotion scale has also been used, while general salary increases of 1.5 percent per annum above the level of increase in the Consumer Price Index (CPI) have been allowed for. 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. A discount rate of 4.5 percent per annum above CPI has been applied.

		2008			2007	
Changes in the liability for accrued benefits:	**Pension Scheme Division $'million**	**Lump Sum Scheme Division $'million**	**Total $'million**	Pension Scheme Division $'million	Lump Sum Scheme Division $'million	Total $'million
Liability for accrued benefits at 1 July	**1 423.7**	**64.2**	**1 487.9**	1 359.1	58.0	1 417.1
Add: Benefits expense	**131.6**	**9.4**	**141.0**	120.0	7.9	127.9
Less: Benefits paid	**52.7**	**1.8**	**54.5**	55.4	1.7	57.1
Liability for Accrued Benefits at 30 June	**1 502.6**	**71.8**	**1 574.4**	1 423.7	64.2	1 487.9
Represented by:						
Police Superannuation Fund	**333.1**	**21.8**	**354.9**	315.8	19.6	335.4
Police Employer Account	**1 169.5**	**50.0**	**1 219.5**	1 107.9	44.6	1 152.5
Total	**1 502.6**	**71.8**	**1 574.4**	1 423.7	64.2	1 487.9

Pursuant to the Act actuarial reviews of the Scheme must be conducted every three years to address the cost of the Scheme to Government and the proportion of future benefits that can be met from the Fund.

The last actuarial review as at 30 June 2005 was carried out by Mr S Mules, FIAA of Mercer Human Resource Consulting. His report, dated 22 March 2006, to the Minister was tabled in Parliament on 9 May 2006. In his report, Mr Mules made the following recommendations:

(a) The funding proportion for the Lump Sum Scheme division be retained at 30 percent.

(b) The funding proportion for the Pension Scheme division be increased from the current level of 21 percent to 22 percent.

(c) The Government contribution for future service liabilities for the Lump Sum Scheme division be increased from the current level of 12 percent to 12.5 percent.

(d) The Government contribution for future service liabilities for the Pension Scheme division be increased from the current level of 17 percent to 19.5 percent.

The above recommendations were implemented from 1 July 2006.

3. Liability for Accrued Benefits (continued)

The actuarial reviews take account of assets held, future contributions to be received from members and future benefits to be paid by the Fund. In contrast, the purpose of the accrued liability calculations, which are made annually, is to estimate the value of future payments that can be attributed to service up to the date of the calculation.

4. Vested Benefits

Vested benefits are benefits which are not conditional upon continued membership of the Scheme and include benefits which members would be entitled to receive on termination of membership of the Scheme.

When members resign from the Scheme, they have two options. Firstly, they can elect to take cash refunds of their own contributions, accumulated with interest, together with preserved employer benefits as required by Commonwealth Superannuation Guarantee legislation. Alternatively, they can elect to take fully vested, preserved benefits which will be based on their full accrued entitlements at the date of resignation and will be increased during preservation in line with increases in the CPI.

The vested benefits shown below assume that all resignation benefits will be taken in the form of fully preserved benefits. The value of vested benefits has then been calculated using the same actuarial and economic assumptions as for the calculation of accrued benefits.

		2008			2007	
Vested Liabilities 30 June	**Pension Scheme Division $'million**	**Lump Sum Scheme Division $'million**	**Total $'million**	Pension Scheme Division $'million	Lump Sum Scheme Division $'million	Total $'million
Police Superannuation Fund	**300.5**	**8.9**	**309.4**	282.5	7.8	290.3
Police Employer Account	**1 124.5**	**42.2**	**1 166.7**	1 054.4	37.1	1 091.5
Total	**1 425.0**	**51.1**	**1 476.1**	1 336.9	44.9	1 381.8

5. Guaranteed Benefits

Contributor's benefit entitlements are set out in the Act.

6. Administration and Direct Investment Expenses

Administration expenses incurred by the Board are financed in the first instance from the Police Employer Account through a Special Deposit Account. Pursuant to section 10(7) of the Act, the Fund is required to meet a prescribed proportion, currently 30 percent, of the administration expenses incurred by the Scheme.

Administration expenses incurred by the Scheme for 2007-08 amounted to $564 000 ($466 000) of which the Fund is required to reimburse $169 000 ($140 000) to the Scheme through the Police Employer Account. Of the $564 000, $30 000 ($20 000) was spent on a consultant and $328 000 ($316 000) was paid to SA Government entities.

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount based on the Scheme's proportionate investment.

7. Remuneration of Board Members

The following are members of the Board who served during 2007-08, along with the period served.

Board Member	*Period Served during 2007-08*	
Michael Ramm	1 July 2007	30 June 2008
Kathryn Finnigan	1 July 2007	30 June 2008
Kingsley Oakley	1 July 2007	30 June 2008
Trevor Haskell*	1 July 2007	30 June 2008
Michael Standing*	1 July 2007	30 June 2008

Deputy Member	*Period Served during 2007-08*	
Garry Powell*	1 July 2007	30 June 2008
David Obst	1 July 2007	30 August 2007
Mark Trueman*	1 July 2007	30 June 2008
Bernadette Zimmermann*	1 July 2007	30 June 2008
James Tappin*	1 July 2007	30 June 2008
Keryl Howie*	6 March 2008	30 June 2008

Members' fees are set according to State Government guidelines for statutory authorities.

* In accordance with Department of the Premier and Cabinet Circular 16, members who are State public sector employees do not receive fees for their Board membership. Board members who are contributors of the Scheme contribute on the same terms as other contributors.

Total remuneration received or due and receivable by the members of the Board in 2007-08 was $10 000 ($9000). Total remuneration included superannuation of $600 ($600).

7. Remuneration of Board Members (continued)

The number of Board members whose remuneration was within the following bands is as follows:

	2008 Number of Members	2007 Number of Members
$nil	**2**	3
$1 - $10 000	**3**	2

8. Remuneration of Auditors

Amounts received or due and receivable by the Auditors for auditing the Accounts of the Board in 2007-08 total $23 000 ($23 000).

9. Summary of Investment Holdings

Investments:	Fund: Old Scheme Division $'000	Fund: New Scheme Division $'000	Police Employer Account $'000	2008 Total $'000	2007 Total $'000
Inflation linked securities	**31 931**	**2 158**	**39 853**	**73 942**	69 925
Property	**36 806**	**2 488**	**45 939**	**85 233**	92 460
Australian equities	**112 463**	**7 602**	**140 365**	**260 430**	310 345
International equities	**112 613**	**7 612**	**140 554**	**260 779**	288 113
Fixed interest	**20 167**	**1 363**	**25 171**	**46 701**	41 685
Diversified strategies - Growth	**17 062**	**1 153**	**21 295**	**39 510**	36 914
Diversified strategies - Income	**23 987**	**1 621**	**29 939**	**55 547**	33 555
Cash	**3 897**	**264**	**4 864**	**9 025**	38 002
Total Investments	**358 926**	**24 261**	**447 980**	**831 167**	910 999

10. Changes in Net Assets

Transactions within each division are summarised below:

	Fund: Old Scheme Division $'000	Fund: New Scheme Division $'000	Police Employer Account $'000	2008 Total $'000	Fund: Old Scheme Division $'000	Fund: New Scheme Division $'000	Police Employer Account $'000	2007 Total $'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT 1 JULY	**406 190**	**26 480**	**480 119**	**912 789**	342 972	21 531	377 728	742 231
REVENUE:								
Investment revenue	**(42 707)**	**(2 759)**	**(54 045)**	**(99 511)**	68 467	4 288	79 747	152 502
Other income	**171**	**27**	**(34)**	**164**	31	5	94	130
Contributions revenue:								
Past service liability	**-**	**-**	**34 398**	**34 398**	-	-	37 900	37 900
Employer contributions	**-**	**-**	**32 610**	**32 610**	-	-	31 384	31 384
Member contributions	**6 657**	**1 171**	**-**	**7 828**	6 722	1 197	-	7 919
Voluntary member contributions	**3 842**	**227**	**-**	**4 069**	3 182	188	-	3 370
Government co-contributions	**88**	**57**	**-**	**145**	204	138	-	342
Total Contribution Revenue	**10 587**	**1 455**	**67 008**	**79 050**	10 108	1 523	69 284	80 915
Total Revenue	**(31 949)**	**(1 277)**	**12 929**	**(20 927)**	78 606	5 816	149 125	233 547
EXPENSES:								
Direct investment expense	**2 321**	**155**	**2 878**	**5 354**	2 405	155	2 784	5 344
Administration expense	**151**	**18**	**395**	**564**	124	16	326	466
Benefits paid:								
Pensions	**7 585**	**2**	**26 898**	**34 485**	7 181	2	25 469	32 652
Commutation lump sums	**1 580**	**-**	**5 601**	**7 181**	2 164	-	7 672	9 836
Lump sums	**2 037**	**329**	**8 797**	**11 163**	2 490	237	10 483	13 210
Resignation benefits	**1 380**	**341**	**-**	**1 721**	1 024	457	-	1 481
Total Benefits Paid	**12 582**	**672**	**41 296**	**54 550**	12 859	696	43 624	57 179
Total Expenses	**15 054**	**845**	**44 569**	**60 468**	15 388	867	46 734	62 989
NET (DECREASE) INCREASE IN FUNDS	**(47 003)**	**(2 122)**	**(31 640)**	**(80 765)**	63 218	4 949	102 391	170 558
NET ASSETS AVAILABLE TO PAY BENEFITS AT 30 JUNE	**359 187**	**24 358**	**448 479**	**832 024**	406 190	26 480	480 119	912 789

11. Benefits Paid

All benefit payments were met in the first instance from the Consolidated Account. The Treasurer, in turn, recouped the value of the employee share of benefits paid from the Fund and the employer share from the Police Employer Account.

	2008 Old Scheme Division $'000	2008 New Scheme Division $'000	2008 Total $'000	2007 Old Scheme Division $'000	2007 New Scheme Division $'000	2007 Total $'000
Pensions:						
Funded from:						
Police Superannuation Fund	**7 585**	**2**	**7 587**	7 182	2	7 184
Police Employer Account	**26 893**	**5**	**26 898**	25 464	4	25 468
Gross Scheme Costs	**34 478**	**7**	**34 485**	32 646	6	32 652

11. Benefits Paid (continued)

	2008 Old Scheme Division $'000	2008 New Scheme Division $'000	2008 Total $'000	2007 Old Scheme Division $'000	2007 New Scheme Division $'000	2007 Total $'000
Commutation Lump Sums:						
Funded from:						
Police Superannuation Fund	**1 580**	**-**	**1 580**	2 164	-	2 164
Police Employer Account	**5 601**	**-**	**5 601**	7 672	-	7 672
Gross Scheme Costs	**7 181**	**-**	**7 181**	9 836	-	9 836
Lump Sums:						
Funded from:						
Police Superannuation Fund	**2 037**	**329**	**2 366**	2 490	237	2 727
Police Employer Account	**7 661**	**1 136**	**8 797**	9 435	1 048	10 483
Gross Scheme Costs	**9 698**	**1 465**	**11 163**	11 925	1 285	13 210
Resignation Benefits:						
Funded from:						
Police Superannuation Fund	**1 380**	**341**	**1 721**	1 024	457	1 481
Gross Scheme Costs	**1 380**	**341**	**1 721**	1 024	457	1 481
Total Benefits Paid	**52 737**	**1 813**	**54 550**	55 431	1 748	57 179

12. 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 investment mandate. The Funds SA Board has determined that 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 investment manager on the nature of the investments made on its behalf and the associated risks.

For further information on the Scheme's risk exposure refer to the annual report of Funds SA.

13. Events After Balance Date

The *Statutes Amendment (Police Superannuation) Act 2008* (the Amendment Act) was passed by the Parliament on 26 June 2008 and came into operation on 1 July 2008.

Under the provisions of the Amendment Act:

- the Fund New Scheme Division of the Police Superannuation Scheme was dissolved and the assets of the division were transferred to the Southern State Superannuation Scheme (Triple S), effective 1 July 2008.
- accounts of members of the Fund New Scheme Division were valued as at 30 June 2008 and were transferred to Triple S effective 1 July 2008.
- accumulation accounts (voluntary member and co-contribution accounts) were valued as at 30 June 2008 and transferred to Triple S effective 1 July 2008.

The transfer of the accumulation accounts to Triple S has provided members of the police schemes with an investment choice facility. Further, the legislation provides a guarantee that members will not require a lower benefit on retirement from Triple S than the benefit that would have been payable from the Police Lump Sum Scheme.

DEPARTMENT OF THE PREMIER AND CABINET

FUNCTIONAL RESPONSIBILITY

Establishment and Functions

The Department of the Premier and Cabinet (the Department) is an administrative unit established pursuant to the PSM Act. For details of the Department's functions, refer to Note 1 of the financial report.

Financial Restructure

Pursuant to a proclamation under section 29 of the *Adelaide Festival Centre Trust Act 1971*, certain assets totalling $77.7 million were transferred to the Department effective from 30 June 2008. For further details refer to Note 27 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 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

Subsection 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 those controls are consistent with the prescribed elements of the FMF as required by TI 2.

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 statements and internal controls.

During 2007-08, specific areas of audit attention included:

- revenue, including invoicing and bank reconciliations
- expenditure, including accounts payable and payroll
- grants and subsidies
- budgetary control and management reporting
- service level agreements
- property, plant and equipment
- general ledger.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Department of the Premier and Cabinet as at 30 June 2008, and 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 (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the Department of the Premier and Cabinet 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 Department of the Premier and Cabinet have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive.

The principal matters raised included the need:

- to ensure that there are current service level agreements in place with the Department of Treasury and Finance and the various Arts agencies
- for Artlab to examine its quotation practices with a view to reducing losses on work undertaken
- to establish registers to ensure that various payroll reports are being received and are being reviewed on a timely basis.

In addition, a number of matters were raised in respect to the Office for Recreation and Sport and these included:

- there is a need to ensure that all grant payments are authorised in accordance with the expenditure delegations
- priority be given to reducing the number of outstanding acquittals in relation to a grant program
- reviews be performed on a regular basis to ensure the completeness of the contract management database
- financial management reporting was ineffective for the first half of the financial year as approved budget data was not loaded into the general ledger until December 2007.

The response to the management letter was satisfactory.

At the time of preparation of this Report, Audit was in the process of finalising a review of certain grants and subsidies provided by the Department to various government and non-government agencies.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

During 2006-07 the Department was subject to organisational changes and in 2007-08, certain assets of the Adelaide Festival Centre Trust were transferred to the Department. Details of these arrangements are outlined in Notes 2.4, 2.5 and 27. As a result, only highlights from the financial statements are presented below.

Highlights of the Financial Report

	2008	2007
	$'million	$'million
EXPENSES		
Employee benefits	**89.5**	62.4
Supplies and services	**78.5**	53.8
Grants and subsidies	**162.1**	124.8
Other expenses	**39.6**	9.2
Total Expenses	**369.7**	250.2
INCOME		
Fees and charges	**27.2**	14.6
Grants and subsidies	**16.9**	10.9
Other	**6.3**	7.3
Total Income	**50.4**	32.8
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT		
Revenues from SA Government	**279.3**	225.9
Payments to SA Government	**13.7**	-
Total Revenues from SA Government	**265.6**	225.9

	2008	2007
	$'million	$'million
Net Result before Restructure	**(53.7)**	8.5
Net Revenue from Administrative Restructure	**77.6**	110.3
Net Result after Restructure	**23.9**	118.8
NET CASH PROVIDED BY OPERATING ACTIVITIES	**(13.9)**	19.1
ASSETS		
Current assets	**49.9**	50.9
Non-current assets	**242.8**	141.5
Total Assets	**292.7**	192.4
LIABILITIES		
Current liabilities	**62.1**	23.4
Non-current liabilities	**22.3**	21.9
Total Liabilities	**84.4**	45.3
EQUITY	**208.3**	147.1

Income Statement

The Net Result before Restructure for 2007-08 includes provision expense of $35 million. This provision expense represents an amount payable in respect of a guarantee provided by the Premier for a corporate security investment of the South Australian Government Financing Authority associated with the Alice Springs to Darwin Railway Project. This investment was assessed as impaired as at 30 June 2008. Refer to Note 25 of the financial report for further details.

Income Statement
for the year ended 30 June 2008

	Note	2008 $'000	2007 $'000
EXPENSES:			
Employee benefits	6	**89 504**	62 417
Supplies and services	7	**78 499**	53 796
Depreciation and amortisation	8	**3 955**	2 641
Grants and subsidies	9	**162 156**	124 757
Net loss from disposal of assets	10	**-**	26
Borrowing costs		**333**	174
Other expenses	11	**35 287**	6 438
Total Expenses		**369 734**	250 249
INCOME:			
Fees and charges	13	**27 162**	14 558
Commonwealth revenues		**3 546**	3 855
Grants and subsidies	14	**16 944**	10 926
Interest	17	**52**	30
Resources received free of charge	2.8	**130**	800
Community Development Fund		**900**	900
Recoveries from administered items		**1 043**	1 287
Net gain from disposal of assets	10	**8**	-
Other income	15	**635**	459
Total Income		**50 420**	32 815
NET COST OF PROVIDING SERVICES		**319 314**	217 434
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	16	**279 274**	225 903
Payments to SA Government	16	**13 718**	-
Total Revenues from SA Government		**265 556**	225 903
NET RESULT BEFORE RESTRUCTURE		**(53 758)**	8 469
Net revenue from administrative restructures	27	**77 678**	110 286
NET RESULT AFTER RESTRUCTURE		**23 920**	118 755

Net result after restructure is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2008

	Note	2008 $'000	2007 $'000
CURRENT ASSETS:			
Cash and cash equivalents	17	**36 021**	40 216
Receivables	18	**11 361**	7 727
Inventories		**55**	78
		47 437	48 021
Non-current assets classified as held-for-sale	19	**2 443**	2 900
Total Current Assets		**49 880**	50 921
NON-CURRENT ASSETS:			
Receivables	18	**517**	773
Property, plant and equipment	20	**237 404**	140 310
Works of art	20	**4 670**	27
Intangible assets	21	**215**	362
Total Non-Current Assets		**242 806**	141 472
Total Assets		**292 686**	192 393
CURRENT LIABILITIES:			
Payables	22	**15 288**	13 062
Short-term employee benefits	24	**10 289**	8 973
Short-term provisions	25	**36 176**	995
Short-term borrowings	23	**298**	279
Other current liabilities	26	**87**	84
Total Current Liabilities		**62 138**	23 393
NON-CURRENT LIABILITIES:			
Payables	22	**1 323**	1 324
Long-term employee benefits	24	**14 224**	13 852
Long-term provisions	25	**3 004**	2 656
Long-term borrowings	23	**3 735**	4 031
Total Non-Current Liabilities		**22 286**	21 863
Total Liabilities		**84 424**	45 256
NET ASSETS		**208 262**	147 137
EQUITY:			
Contributed capital		**10 016**	173
Asset revaluation reserve		**37 317**	9 955
Retained earnings		**160 929**	137 009
TOTAL EQUITY		**208 262**	147 137

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 2008

	Contributed Capital $'000	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2006	-	9 955	18 254	28 209
Capital contribution from the State Government	173	-	-	173
Net Result after Restructure for 2006-07	-	-	118 755	118 755
Total recognised income and expense for 2006-07	-	-	118 755	118 755
Balance at 30 June 2007	173	9 955	137 009	147 137
Capital contribution from the State Government	9 843	-	-	9 843
Net increment on asset revaluation	-	27 362	-	27 362
Net Result after Restructure for 2007-08	-	-	23 920	23 920
Total Recognised Income and Expense for 2007-08	-	-	23 920	23 920
Balance at 30 June 2008	**10 016**	**37 317**	**160 929**	**208 262**

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

Cash Flow Statement
for the year ended 30 June 2008

	Note	2008 Inflows (Outflows) $'000	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefits		**(87 846)**	(61 076)
Supplies and services		**(80 794)**	(62 465)
Grants and subsidies		**(162 262)**	(114 926)
Borrowing costs		**(333)**	(174)
GST paid to the ATO		**(13 513)**	(7 139)
Other payments		**(153)**	(55)
Cash used in Operations		**(344 901)**	(245 835)
CASH INFLOWS:			
Fees and charges		**26 352**	19 212
Receipts from Commonwealth		**3 545**	3 857
Receipts from grants and subsidies		**17 121**	5 717
Interest received		**52**	85
Community Development Fund		**900**	900
Recoveries from administered items		**1 043**	1 287
GST recovered from the ATO		**14 802**	7 365
Other receipts		**1 646**	614
Cash generated from Operations		**65 461**	39 037
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**279 274**	225 903
Payments to SA Government		**(13 718)**	-
Cash generated from SA Government		**265 556**	225 903
Net Cash (used in) provided by Operating Activities	30	**(13 884)**	19 105
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(2 746)**	(639)
Purchase of intangibles		**(39)**	(26)
Cash used in Investing Activities		**(2 785)**	(665)
CASH INFLOWS:			
Proceeds from sale of assets held-for-sale		**2 900**	-
Proceeds from sale of property, plant and equipment		**8**	2
Cash generated from Investing Activities		**2 908**	2
Net Cash provided by (used in) Investing Activities		**123**	(663)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayment of borrowings		**(277)**	(133)
Cash used in Financing Activities		**(277)**	(133)
CASH INFLOWS:			
Capital contribution from the State Government		**9 843**	173
Proceeds from advance account repayments		**-**	4
Gain from restructuring activities		**-**	7 269
Cash generated from Financing Activities		**9 843**	7 446
Net Cash provided by Financing Activities		**9 566**	7 313
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS HELD		**(4 195)**	25 755
CASH AND CASH EQUIVALENTS AT 1 JULY		**40 216**	14 461
CASH AND CASH EQUIVALENTS AT 30 JUNE	17	**36 021**	40 216

Program Schedule of Department's Expenses and Income for the year ended 30 June 2008

	2008			
	Program 1	Program 2	Program 3	Program 4
EXPENSES:	$'000	$'000	$'000	$'000
Employee benefits	5 942	685	6 873	436
Supplies and services	2 389	90	9 024	356
Depreciation and amortisation	-	-	-	-
Grants and subsidies	249	-	13 641	29 964
Net loss from disposal of assets	-	-	-	-
Borrowing costs	-	-	-	-
Other expenses	-	-	2	-
Total Expenses	8 580	775	29 540	30 756
INCOME:				
Fees and charges	1 307	25	220	4
Commonwealth revenues	-	-	800	6
Grants and subsidies	14	-	446	-
Interest	-	-	-	-
Resources received free of charge	-	-	-	-
Community Development Fund	-	-	-	-
Recoveries from administered items	-	-	-	-
Net gain from disposal of assets	-	-	-	-
Other income	-	-	4	6
Total Income	1 321	25	1 470	16
NET COST OF PROVIDING SERVICES	7 259	750	28 070	30 740
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:				
Revenues from SA Government	-	-	-	-
Payments to SA Government	-	-	-	-
Net Revenues from SA Government	-	-	-	-
NET RESULT BEFORE RESTRUCTURE	(7 259)	(750)	(28 070)	(30 740)

	Program 5	Program 6	Program 7	Program 8
EXPENSES :	$'000	$'000	$'000	$'000
Employee benefits	732	4 134	18 462	29 044
Supplies and services	582	2 574	13 118	16 751
Depreciation and amortisation	-	382	502	146
Grants and subsidies	22 738	52 986	3 279	1 870
Net loss from disposal of assets	-	-	-	-
Borrowing costs	-	-	-	-
Other expenses	-	-	35 145	-
Total Expenses	24 052	60 076	70 506	47 811
INCOME:				
Fees and charges	6	1 155	1 638	12 632
Commonwealth revenues	10	391	563	-
Grants and subsidies	-	-	275	9 770
Interest	-	1	-	-
Resources received free of charge	-	-	-	-
Community Development Fund	-	900	-	-
Recoveries from administered items	-	-	-	-
Net gain from disposal of assets	-	-	-	-
Other income	225	125	262	-
Total Income	241	2 572	2 738	22 402
NET COST OF PROVIDING SERVICES	23 811	57 504	67 768	25 409
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:				
Revenues from SA Government	-	112 154	167 120	-
Payments to SA Government	-	-	(13 718)	-
Net Revenues from SA Government	-	112 154	153 402	-
NET RESULT BEFORE RESTRUCTURE	(23 811)	54 650	85 634	(25 409)

Program Schedule of Department's Expenses and Income for the year ended 30 June 2008 (continued)

	2008			
	Program 9	Program 10	Program 11	Program 12
EXPENSES :	$'000	$'000	$'000	$'000
Employee benefits	4 806	8 682	3 974	336
Supplies and services	3 372	10 640	3 669	309
Depreciation and amortisation	37	2 172	716	-
Grants and subsidies	-	29 772	-	-
Net loss from disposal of assets	-	-	-	-
Borrowing costs	-	333	-	-
Other expenses	-	63	68	-
Total Expenses	8 215	51 662	8 427	645
INCOME:				
Fees and charges	5 274	2 674	2 063	-
Commonwealth revenues	-	584	-	-
Grants and subsidies	-	5 927	-	211
Interest	-	5	1	-
Resources received free of charge	-	-	-	-
Community Development Fund	-	-	-	-
Recoveries from administered items	-	-	-	-
Net gain from disposal of assets	-	8	-	-
Other income	4	-	-	-
Total Income	5 278	9 198	2 064	211
NET COST OF PROVIDING SERVICES	2 937	42 464	6 363	434
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:				
Revenues from SA Government	-	-	-	-
Payments to SA Government	-	-	-	-
Net Revenues from SA Government	-	-	-	-
NET RESULT BEFORE RESTRUCTURE	(2 937)	(42 464)	(6 363)	(434)

	2008		**2008**	2007
	Program 13	Program 14	**Total**	Total
EXPENSES :	$'000	$'000	**$'000**	$'000
Employee benefits	5 213	185	**89 504**	62 417
Supplies and services	15 248	377	**78 499**	53 796
Depreciation and amortisation	-	-	**3 955**	2 641
Grants and subsidies	7 657	-	**162 156**	124 757
Net loss from disposal of assets	-	-	**-**	26
Borrowing costs	-	-	**333**	174
Other expenses	9	-	**35 287**	6 438
Total Expenses	28 127	562	**369 734**	250 249
INCOME:				
Fees and charges	129	35	**27 162**	14 558
Commonwealth revenues	1 192	-	**3 546**	3 855
Grants and subsidies	301	-	**16 944**	10 926
Interest	45	-	**52**	30
Resources received free of charge	130	-	**130**	800
Community Development Fund	-	-	**900**	900
Recoveries from administered items	1 043	-	**1 043**	1 287
Net gain from disposal of assets	-	-	**8**	-
Other income	9	-	**635**	459
Total Income	2 849	35	**50 420**	32 815
NET COST OF PROVIDING SERVICES	25 278	527	**319 314**	(217 434)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:				
Revenues from SA Government	-	-	**279 274**	225 903
Payments to SA Government	-	-	**(13 718)**	-
Net Revenues from SA Government	-	-	**265 556**	225 903
NET RESULT BEFORE RESTRUCTURE	(25 278)	(527)	**(53 758)**	8 469

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of the Premier and Cabinet

The Department of the Premier and Cabinet (the Department) is the principal government agency in South Australia. It delivers specialist policy advice to the Premier and Ministers, supports the Cabinet process and provides direction and leadership to the South Australian Public Service.

The Department leads the implementation of South Australia's Strategic Plan, has overarching responsibility for federal-state relations and drives key government initiatives across a range of services benefiting other government agencies and the community.

We work closely with these groups to develop policies and deliver programs in the areas of social inclusion, Aboriginal well-being, the arts, industrial relations, sustainability and climate change, occupational health and safety, recreation and sport, and government records access and preservation.

2. Summary of Significant Accounting Policies

2.1 Statement of Compliance

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs, TIs and APSs promulgated under the provisions of the PFAA.

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by the Department for the reporting period ending 30 June 2008. Refer to Note 4.

2.2 Basis of Preparation

The preparation of the financial report 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, 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, by authority of TI 19. In the interest of public accountability and transparency the APS require the following Note disclosures, that have been included in this financial report:

  (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies;

  (b) expenses incurred as a result of engaging consultants;

  (c) employees whose normal remuneration is $100 000 or more (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees;

  (d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Department's Income Statement, Balance Sheet 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 Cash Flow Statement has been prepared on a cash basis.

The financial report has been prepared based on a 12 month operating cycle and is presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2008 and the comparative information presented for the year ended 30 June 2007.

2.3 Reporting Entity

The financial report encompasses all activities transacted through an interest bearing Special Deposit Account titled 'Department of the Premier and Cabinet Operating Account' and any other funds through which the Department controls resources to carry out its functions. The Department's principal source of funds consists of monies appropriated by Parliament.

Administered Resources

The Department administers, but does not control, certain resources on behalf of the SA Government. It is accountable for the transactions involving those administered resources, but does not have the discretion to deploy the resources for achievement of the Department's objectives. For these resources, the Department acts only on behalf of the Commonwealth and SA Government.

Transactions and balances relating to these administered resources are not recognised as departmental income, expense, assets and liabilities. As administered items are significant in relation to the Department's overall financial performance and position, they are disclosed in the administered financial statements attached to the general purpose financial report. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for the departmental items.

2.4 Transferred Functions

Pursuant to section 29 of the *Adelaide Festival Centre Trust Act 1971,* certain assets of the Trust transferred to the Department effective 30 June 2008 (refer Note 27). These assets include:

- land (and associated buildings and infrastructure);
- works of art;
- plant and equipment and any associated rights or liabilities in connection with the Adelaide Festival Centre and Her Majesty's Theatre;
- rights and liabilities of the Trust as the lessee of premises at the Adelaide Railway Station;
- value of capital works in progress at (or in connection with) the Dunstan Playhouse, and any associated rights or liabilities.

2.5 Comparative Information

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

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

For financial accounting and reporting purposes, certain assets and liabilities transferred from the Department for Administrative and Information Services to the Department as at 1 January 2007. Therefore, comparative figures report six months for the 2006-07 financial year for the transferred business units.

2.6 Rounding

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

2.7 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.

In accordance with the requirements of Interpretation 1031, revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by the Department as a purchaser that is not recoverable from the ATO is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- receivables and payables are stated with the amount of GST included.

2.8 Income and Expenses

Income and expenses are recognised in the Department's Income Statement 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.

Fees and charges controlled by the Department are recognised as income. Fees and charges are controlled by the Department where they can be deployed for the achievement of departmental objectives. Such amounts are not required to be paid to the Consolidated Account or other Funds not controlled by the Department.

Grants and subsidies are recognised as income when the Department obtains control of the income or when the agreement or contract has been approved and is executed or income received.

Grants and subsidies received by the Department with unconditional stipulations attached have been recognised as an asset and income upon receipt.

Grants and subsidies paid by the Department have unconditional stipulations attached.

Resources received free of charge relate to transportable accommodation buildings being installed on the APY Lands provided by the Commonwealth through the Department's administered funds. The construction of the buildings was completed on 30 October 2007.

2.9 Revenues from (Payments to) SA Government

Appropriations for program funding are recognised as revenues when the Department obtains control over the assets comprising the contributions. Control over appropriations is normally obtained upon their receipt.

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

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy, paid directly to the Department of Treasury and Finance Consolidated Account.

In relation to liquidity/funding risk, the continued existence of the Department in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations for the Department's administration and programs.

2.10 Finance Costs

All finance costs are recognised as expenses.

2.11 Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. The Department has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be sold, consumed or 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 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.

2.12 Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand, at call and deposits with the Treasurer. Cash is measured at nominal value.

2.13 Receivables

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are payable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public. If payment has not been received within 90 days after the amount falls due, under the terms and conditions of the arrangement with the debtor, the Department is able to charge interest at commercial rates until the whole amount of the debt is paid.

The Department determines the allowance for doubtful debts based on a review of balances within trade receivables that are unlikely to be collected. These are generally receivables that are 90 days or more overdue.

2.14 Inventories

Inventories are measure at the lower of cost or their net realisable value.

2.15 Non-Current Assets Held-For-Sale

Non-current assets are classified as held-for-sale and stated at the lower of their carrying amount and fair value less cost to sell if their carrying amount will be recovered principally through sale rather than continuing use. Non-current assets classified as held-for-sale are not depreciated or amortised.

2.16 Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. 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.

In accordance with APF III APSs 2.15 and 7.2:

- 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.

2.17 Revaluation of Non-Current Assets

Valuations of departmental buildings and improvements held for cultural purposes were determined as at 30 June 2008 by the Australian Valuation Office. Buildings and improvements have been valued using a fair value methodology.

Valuations of recreation, sporting and stadia infrastructure were determined as at 30 June 2008 by Valcorp Australia Pty Ltd. Recreation, sporting and stadia infrastructure have been valued using a fair value methodology.

All other non-current assets controlled by the Department, including those transferred to the Department as a result of an administrative restructure, have been deemed to be held at fair value.

2.18 Impairment of Assets

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.

2.19 Intangible Assets

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 $10 000. All research and development costs that do not meet the capitalisation criteria outline 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.

2.20 Depreciation and Amortisation of Non-Current Assets

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each depreciable non-current asset over its expected useful life. Estimates of remaining useful lives are reviewed on a regular basis for all assets. The estimated useful lives of each asset class are as follows:

Class of Asset	*Useful Life (Years)*
Buildings and improvements	10 - 40
Recreation, Sporting and Stadia Infrastructure	5 - 65
Transportable accommodation	10 - 20
Furniture and fittings	5 - 15
Office equipment	3
IT equipment	3 - 5
Motor vehicles	5
Intangibles - Computer software	3 - 5

Works of art controlled by the Department are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised for this class of asset.

2.21 Payables

Payables include creditors, accrued expenses and employment on-costs.

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

All amounts are measured at their nominal amount and are normally settled within 30 days after the Department receives an invoice.

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

The Department makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board. The Department of Treasury and Finance centrally recognises the superannuation liability, for schemes operated by the State Government, in the whole-of-government financial statements.

2.22 Interest Bearing Liabilities

This represents loans underwritten by the Department as guarantor to external organisations. These are recognised as liabilities because the Department is servicing the interest payments and loan repayments.

2.23 Employee Benefits

(i) Salaries and Wages

Liabilities for wages and salaries are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

(ii) Annual Leave

A liability for annual leave is calculated by determining the amount unpaid at the reporting date and estimating the nominal amount that is expected to be paid when the obligation is settled. In the unusual event where annual leave is payable later than 12 months, the liability will be measured at present value.

(iii) On-costs

Employee benefit on-costs (payroll tax, WorkCover and superannuation) are recognised separately under payables.

(iv) Long Service Leave

A liability for long service leave is recognised for all employees who have completed 6.5 or more years of service. The 6.5 years has been based on an actuarial calculation undertaken by the Department of Treasury and Finance. The calculation was based on a significant sample of employees throughout the South Australian public sector and determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

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.

2.24 Workers Compensation Provision

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 Division of the Department.

2.25 Other Provisions

The Department has recognised a provision for a financial guarantee provided by the Premier, for the Alice Springs to Darwin Railway Project.

2.26 Contributed Capital

Where the investing activities of the Department are not funded through appropriations, operating receipts, proceeds of assets sales or grants, government funding is provided via a capital contribution. The Department received $9.8 million in 2007-08.

2.27 Leases

The Department as Lessee

The Department has entered into a number of operating lease agreements for buildings, motor vehicles and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Income Statement in the periods in which they are incurred.

The Department as Lessor

The Department leases sporting venues and office accommodation to various external sporting organisations through operating leases.

The Department leases the Adelaide Festival Centre and Her Majesty's Theatre to the Adelaide Festival Centre Trust through an operating lease.

Income from operating leases is recognised as rental income in the period incurred, and is representative of the pattern of benefits derived from the leased assets.

2.28 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 liabilities are not recognised in the Balance Sheet, but are disclosed by way of a Note and, if quantifiable, are measure at their nominal value.

3. Hedging Arrangements

In accordance with government policy, the Department enters into hedges for all contracted expenditure in a foreign currency over A$100 000. The SA Government Financing Authority manages the foreign currency hedges on the Department's behalf. At 30 June 2008, the Department has outstanding hedges totalling $2.9 million in relation to the contractual arrangements with the Carnegie Mellon University. There is no financial risk to the Department as a result of the hedging arrangements.

4. Changes in Accounting Policies

The AASs and Interpretations that have recently been issued or amended but are not effective, have not been adopted by the Department for the reporting period ending 30 June 2008. The Department has assessed the impact of the new and amended Standards and Interpretations and considers there will be no impact on the accounting policies or the financial report of the Department.

5. Programs of the Department

Programs are defined as goods or services produced, provided to or acquired for external customers. The Department has identified 14 major classes of programs that it delivers to the community and the Premier. The identity and description of each major program class for the Department during the year ended 30 June 2008 are summarised below (refer to the Department's Program Schedule of Expenses and Income).

Program 1 — Cabinet Office

Provision of expert advice and support to the Premier, Cabinet, Executive Committee of Cabinet and other Cabinet Committees; leadership in whole-of-government policy development, coordination and integration; implementation of South Australia's Strategic Plan; and management of Federal-State relations.

Program 2 — Public Sector Workforce Management

Provision of support for South Australia's Strategic Plan targets relating to the public sector workforce and public sector performance improvement. This is undertaken by implementing whole-of-government frameworks, strategies, programs and services and supporting the Commissioner for Public Employment to meet his statutory requirements.

Program 3 — Strategic Policy Initiatives

Provision of high-level support for strategic policy initiatives of the Government.

Program 4 — Library and Information Services

Provision of information from library and resource centres to the public, industry and government agencies and funding of services provided by Public Library Services to public libraries.

Program 5 — Access to Art, Museum and Heritage Services and Preservation of State Collections

Provision of museum, visual arts and preservation services that enable the State's cultural, heritage and arts assets to be maintained and kept accessible to the community.

Program 6 — Arts Industry Development and Access to Artistic Product

Provision of services that enhance opportunities for artists, cultural tourism, festivals and events and provide for productions, exhibitions, tours and events to the community.

Program 7 — Support Services

Provision of corporate and support services to the Department, Premier's Office, Ministerial Office and Governor's Establishment. It also provides high level commercial advice to the Department and the Premier, manages protocol matters and whole-of-government strategic communications.

Program 8 — Industrial Relations

Provision of workplace industrial relations, safety advisory and regulatory services to the general community and the public sector.

Program 9 — Employee Advocacy

Provision of services to ensure the rights and obligations of employees and employers are protected and the relevant law applied to prevent and resolve workplace disputes.

Program 10 — Recreation, Sport and Racing

Provision of programs, services and policy to facilitate the delivery and strategic development of active recreation and sport facilities, services, programs and infrastructure across the state. This is aimed at enhancing the quality and extent of opportunities for participation and fostering continued sustainability of the industry, as well as providing targeted strategies and support for specific populations including the development of high performance athletes.

This program also includes the provision of policy advice to the Minister on matters impacting upon the viability of the racing industry in South Australia.

Program 11 — Community Services

Provision of specialised services, support, information and policy to the community, government, industry and the Minister in the areas of records management, archives and government publishing.

Program 12 — Capital City

Support the Capital City Committee, a legislated partnership between the Adelaide City Council and the State Government, by providing executive support to the Committee, and ensuring coordination between the strategic objectives of the state and the council to identify opportunities for the City.

Program 13 - Aboriginal Affairs and Reconciliation

Provision of high level strategic policy advice and across government coordination and monitoring, facilitation of community development initiatives, protection of Aboriginal culture and heritage, management of essential services and community infrastructure, and support for the state's landholding authorities to improve the wellbeing of Aboriginal people.

Program 14 - Public Sector Performance Commission

Provision of leadership to the revitalisation and reform of the public sector.

6. Employee Benefits

	2008 $'000	2007 $'000
Salaries and wages	**64 146**	44 017
TVSP (refer below)	**-**	-
Long service leave	**3 094**	1 972
Annual leave	**5 412**	4 365
Employment on-costs - Superannuation	**9 181**	6 558
Employment on-costs - Other	**4 357**	3 233
Committee fees	**383**	216
Other employee related expenses	**2 931**	2 056
Total Employee Benefits	**89 504**	62 417

Remuneration of Employees

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

	2008 Number	2007 Number
$100 000 - $109 999	**32**	33
$110 000 - $119 999	**20**	15
$120 000 - $129 999	**10**	9
$130 000 - $139 999	**11**	12
$140 000 - $149 999	**6**	6
$150 000 - $159 999	**10**	10
$160 000 - $169 999	**6**	2
$170 000 - $179 999	**3**	1
$180 000 - $189 999	**-**	3
$190 000 - $199 999	**1**	4
$200 000 - $209 999	**5**	2
$210 000 - $219 999	**1**	3
$220 000 - $229 999	**4**	1
$230 000 - $239 999	**1**	3
$240 000 - $249 999	**4**	5
$250 000 - $259 999	**1**	-
$260 000 - $269 000	**2**	1
$270 000 - $279 999	**2**	1
$280 000 - $289 999	**1**	1
$290 000 - $299 999	**-**	1
$300 000 - $309 999	**-**	1
$310 000 - $319 999	**-**	1
$330 000 - $339 999	**-**	1
$380 000 - $389 999	**1**	-
Total Number of Employees	**121**	116

The table includes employees who received remuneration of $100 000 or more during the year paid by the Department. The total remuneration received by these employees for the year was $17.9 million ($17.4 million).

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

7. Supplies and Services

Supplies and Services provided by Entities within the SA Government:	2008 $'000	2007 $'000
Accommodation	**8 384**	6 026
Telecommunication	**860**	636
Staff development and recruitment	**111**	272
General administration and consumables	**2 538**	1 972
Promotion and marketing	**372**	109
Repairs, maintenance and minor equipment purchases	**2 208**	390
Service level agreements	**6 300**	3 938
IT and computing charges	**1 891**	1 423
Contractors and consultants	**-**	11
Temporary and casual staff	**-**	-
Community infrastructure	**10 855**	6 508
Projects	**2 165**	2 271
Other	**2 935**	1 120
Total Supplies and Services - SA Government Entities	**38 619**	24 676

7. Supplies and Services (continued)

	2008	2007
Supplies and Services provided by Entities external to the SA Government:	$'000	$'000
Accommodation	**2 607**	1 964
Telecommunication	**740**	504
Staff development and recruitment	**2 182**	1 225
General administration and consumables	**5 552**	6 311
Promotion and marketing	**7 516**	3 757
Repairs, maintenance and minor equipment purchases	**2 080**	3 070
IT and computing charges	**2 155**	1 462
Contractors and consultants	**5 149**	2 593
Cost of goods sold	**1 089**	559
Temporary and casual staff	**1 905**	948
Community infrastructure	**2 339**	707
Projects	**3 549**	3 943
Other	**3 017**	2 077
Total Supplies and Services - Non-SA Government Entities	**39 880**	29 120
Total Supplies and Services	**78 499**	53 796

Payments to Consultants

The number and dollar amount of consultancies paid/payable (included in Supplies and Services that fell within the following bands:	**2008** Number of Consultants	**2008** $'000	2007 Number of Consultants	2007 $'000
Below $10 000	**44**	**156**	34	111
Between $10 000 and $50 000	**26**	**599**	13	303
Above $50 000	**8**	**1 331**	7	525
Total Number of Consultants Engaged	**78**	**2 086**	54	939

8. Depreciation and Amortisation

	2008	2007
Depreciation:	$'000	$'000
Land, buildings and improvements	**1 109**	470
Plant and equipment	**647**	717
Recreation, sporting and stadia infrastructure	**2 013**	1 314
Total Depreciation	**3 769**	2 501
Amortisation:		
Intangible assets	**186**	140
Total Amortisation	**186**	140
Total Depreciation and Amortisation	**3 955**	2 641

9. Grants and Subsidies

	2008	2007
Grants and Subsidies paid/payable to Entities within the SA Government:		
Recurrent grant	**88 214**	78 489
Capital grant	**-**	-
Total Grants and Subsidies - SA Government Entities	**88 214**	78 489
Grants and Subsidies paid/payable to Entities external to the SA Government:		
Recurrent grant	**73 942**	42 285
Capital grant	**-**	3 983
Total Grants and Subsidies - Non-SA Government Entities	**73 942**	46 268
Total Grants and Subsidies	**162 156**	124 757
Grants and Subsidies consist of the following:		
Libraries Board of South Australia Operating Grant	**29 612**	27 486
Adelaide Festival Centre Trust Operating Grant	**14 499**	9 909
Museum Board Operating Grant	**8 146**	8 627
Royal Agricultural and Horticultural Society of South Australia Grant	**8 000**	-
Arts Industry Assistance	**7 244**	5 845
Statewide Enhancement Program	**6 676**	-
Country Arts SA Operating Grant	**6 452**	6 159
Art Gallery Board Operating Grant	**6 197**	5 498
Thoroughbred Racing SA Ltd Grant	**6 120**	-
South Australian Jockey Club Grant	**5 000**	-
South Australian Film Corporation Operating Grant	**4 485**	4 738
History Trust of South Australia Operating Grant	**4 250**	3 917
Adelaide Festival Corporation Operating Grant	**4 036**	2 825
Adelaide Symphony Orchestra Operating Grant	**3 665**	1 772
South Australian Youth Arts Board Operating Grant	**2 806**	2 571
Arts project assistance	**2 651**	2 781
Adelaide Football Club Grant	**2 500**	-
Port Adelaide Football Club Grant	**2 500**	-
Active Club Program	**2 323**	1 110
Community Recreation and Sporting Facilities Capital Grants (CRSFG)	**2 132**	1 002

9. Grants and Subsidies (continued)

	2008 $'000	2007 $'000
Aboriginal Community Essential Services Assistance	**2 019**	2 371
State Theatre Company of South Australia Operating Grant	**1 976**	1 776
Attorney-General's Department Funding Transfer	**1 600**	-
Aboriginal Community Assistance	**1 522**	1 042
Australian Dance Theatre Operating Grant	**1 465**	1 198
Anangu Pitjantjatjara Operating Grant	**1 213**	1 337
Adelaide Fringe Operating Grant	**1 157**	867
Windmill Performing Arts Operating Grant	**1 050**	1 025
Royal Institute Australia Capital Fund Contribution	**1 000**	-
Workplace Partnership Programme	**1 000**	-
State Opera of South Australia Operating Grant	**957**	1 017
Jam Factory of Contemporary Craft and Design Operating Grant	**937**	991
Breaking the Cycle Program	**923**	894
Para West Adult Campus Operating Grant	**910**	891
University of Adelaide Heritage Fund Contribution	**800**	-
Wiltanendi Project	**787**	-
Tandanya Operating Grant	**748**	1 025
Carrick Hill Trust Operating Grant	**739**	654
Premier's Community Initiatives	**637**	1 177
Inclusive Recreation Inclusive Sport Program (IRIS)	**500**	500
Security and Emergency Management Office redistribution of project funding	**237**	2 593
South Australian Cricket Association Grant	**-**	9 000
Union Education Program	**-**	1 500
Adelaide Airport Solar Initiative	**-**	950
Other Grants and Subsidies	**10 685**	9 709
Total Grants and Subsidies	**162 156**	124 757

10. Net Gain (Loss) from Disposal of Assets

	2008 $'000	2007 $'000
Plant and Equipment:		
Proceeds from disposal	**8**	2
Net book value of assets disposed	**-**	8
Net Gain (Loss) from Disposal of Plant and Equipment	**8**	(6)
Works of Art:		
Proceeds from disposal	**-**	-
Net book value of assets disposed	**-**	20
Net Loss from Disposal of Works of Art	**-**	(20)
Total Assets:		
Proceeds from disposal	**8**	2
Net book value of assets disposed	**-**	28
Net Gain (Loss) from Disposal of Total Assets	**8**	(26)

11. Other Expenses

	2008 $'000	2007 $'000
Other Expenses paid/payable to Entities within the SA Government:		
Bad and doubtful debts	**65**	7
Guarantees and indemnities	**35 000**	-
Total Other Expenses - SA Government Entities	**35 065**	7
Other Expenses paid/payable paid to Entities external to the SA Government:		
Asset impairment	**-**	6 350
Bad and doubtful debts	**70**	26
Other	**152**	55
Total Other Expenses - Non-SA Government Entities	**222**	6 431
Total Other Expenses	**35 287**	6 438

A financial guarantee has been provided by the Premier for the Alice Springs to Darwin Railway Project.

12. Auditor's Remuneration

	2008 $'000	2007 $'000
Audit fees paid/payable to the Auditor-General's Department	**209**	158
Total Audit Fees	**209**	158

Other Services

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

13. Fees and Charges

	2008	2007
Fees and Charges received/receivable from Entities within the SA Government:	**$'000**	$'000
Arts industry related fees	**199**	476
Salaries charged to other entities	**2 215**	930
Sale of goods	**847**	841
Regulatory fees	**6 151**	2 992
Fees for services	**1 192**	1 056
Rental income	**22**	(3)
Other recoveries	**7 314**	2 751
Total Fees and Charges - SA Government Entities	**17 940**	9 043
Fees and Charges received/receivable from Entities external to the SA Government:		
Arts industry related fees	**804**	511
Salaries charged to other entities	**84**	152
Sale of goods	**1 737**	909
Regulatory fees	**2 913**	1 260
Fees for services	**887**	665
Rental income	**895**	662
Other recoveries	**1 902**	1 356
Total Fees and Charges - Non-SA Government Entities	**9 222**	5 515
Total Fees and Charges	**27 162**	14 558

14. Grants and Subsidies Revenue

Grants and Subsidies received/receivable from Entities within the SA Government:		
Recurrent grant	**14 281**	9 427
In-kind revenue	**1 230**	600
Total Grants and Subsidies - SA Government Entities	**15 511**	10 027
Grants and Subsidies received/receivable from Entities external to the SA Government:		
Recurrent grant	**1 375**	856
Sponsorship for Department initiatives	**58**	43
Total Grants and Subsidies - Non-SA Government Entities	**1 433**	899
Total Grants and Subsidies	**16 944**	10 926

15. Other Income

Other income received/receivable from Entities within the SA Government:		
TVSP recoveries	**-**	-
Other	**31**	117
Total Other Income - SA Government Entities	**31**	117
Other income received/receivable from Entities external to the SA Government:		
Other	**604**	342
Total Other Income - Non-SA Government Entities	**604**	342
Total Other Income	**635**	459

16. Revenues from (Payments to) SA Government

Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	**279 173**	225 903
Other revenue from SA Government	**101**	-
Total Revenues from SA Government	**279 274**	225 903
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy (refer Note 2.9)	**13 718**	-
Total Payments to SA Government	**13 718**	-
Net Revenues from SA Government	**265 556**	225 903

17. Cash and Cash Equivalents

Deposits at call	**20 376**	25 572
Deposits with the Treasurer	**15 506**	14 474
Other	**139**	170
Total Cash	**36 021**	40 216

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balances of these funds are not available for general use ie funds can only be used once the Treasurer's/Under Treasurer's approval is received.

Interest Rate Risk
Deposits at call includes funds held for the Aboriginal Heritage Fund which earns a floating interest rate, based on daily bank deposit rates. All other deposits at call are non-interest bearing.

The carrying amount of cash and cash equivalents represents fair value.

18. Receivables

	2008	2007
Current:	$'000	$'000
Receivables	3 164	3 540
Less: Allowance for doubtful debts	35	135
Prepayments	2 982	88
Accrued revenues	1 231	1 607
Loans	30	65
Less: Allowance for doubtful loans	30	30
GST receivable	4 019	2 592
Total Current Receivables	**11 361**	7 727
Non-Current:		
Receivables	-	90
Prepayments	517	613
Loans	-	70
Less: Allowance for doubtful loans	-	-
Total Non-Current Receivables	**517**	773
Total Receivables	**11 878**	8 500

Government/Non-Government Receivables:		
Receivables from SA Government Entities:		
Receivables	1 560	2 207
Prepayments	-	26
Accrued revenues	1 160	1 429
Loans	-	70
Total Receivables from SA Government Entities	**2 720**	3 732
Receivables from Non-SA Government Entities:		
Receivables	1 604	1 423
Less: Allowance for doubtful debts	35	135
Prepayments	3 499	675
Accrued revenues	71	178
Loans	30	65
Less: Allowance for doubtful loans	30	30
GST receivable	4 019	2 592
Total Receivables from Non-SA Government Entities	**9 158**	4 768
Total Receivables	**11 878**	8 500

Interest Rate and Credit Risk
Receivables are raised for all goods and services provided for which payment has not been received.

Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

Allowance for Doubtful Debts
The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in Other Expenses in the Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2008	2007
Movements in the Allowance for Doubtful Debts (Impairment Loss):	$'000	$'000
Carrying amount at 1 July	135	-
Increase in allowance	2	181
Amounts written off	(102)	(46)
Carrying Amount at 30 June	**35**	135

19. Assets Held-for-Sale

	2008	2007
Land	-	2 900
Buildings	2 443	-
Total Assets Held-for-Sale	**2 443**	2 900

On 17 September 2007 Cabinet approved the sale of the Agent-General's Residence at 53 Chiddingstone Street, Fulham, London. The building remains held-for-sale at 30 June 2008.

Settlement for the Dean Rifle Range sale occurred on 2 July 2007.

20. Property, Plant and Equipment

Valuation of Land and Buildings

Valuations of departmental buildings and improvements held for cultural purposes were determined as at 30 June 2008 by the Australian Valuation Office. Buildings and improvements have been valued using a fair value methodology.

Valuations of recreation, sporting and stadia infrastructure were determined as at 30 June 2008 by Valcorp Australia Pty Ltd. Recreation, sporting and stadia infrastructure have been valued using a fair value methodology.

All other non-current assets controlled by the Department, including those transferred to the Department as a result of an administrative restructure, have been deemed to be held at fair value.

Impairment

There were no indications of impairment of property, plant and equipment, infrastructure and intangible assets held at 30 June 2008.

Resources received Free of Charge

The Department received transportable accommodation buildings being installed on the APY Lands free of charge from an administered Commonwealth fund. The buildings were completed on 30 October 2007.

	2008	2007
Land, Buildings and Improvements:	**$'000**	$'000
Land at fair value	**15 138**	6 263
Buildings and improvements at fair value	**180 402**	28 702
Accumulated depreciation	**(99 376)**	(12 816)
Total Land, Buildings and Improvements	**96 164**	22 149
Plant and Equipment:		
Plant and equipment at fair value	**12 680**	7 795
Accumulated depreciation	**(9 251)**	(5 798)
Total Plant and Equipment	**3 429**	1 997
Recreation, Sporting and Stadia Infrastructure:		
Recreation, sporting and stadia infrastructure at fair value	**172 305**	118 589
Accumulated depreciation	**(36 481)**	(3 282)
Total Recreation, Sporting and Stadia Infrastructure	**135 824**	115 307
Work in Progress:		
Work in progress at cost	**1 987**	857
Total Work In Progress	**1 987**	857
Total Property, Plant and Equipment	**237 404**	140 310
Works of Art:		
Works of art at fair value	**4 670**	27
Total Works of Art	**4 670**	27

21. Intangible Assets

Computer software	**2 058**	2 019
Accumulated amortisation	**(1 919)**	(1 759)
Other intangibles	**128**	128
Accumulated amortisation	**(52)**	(26)
Total Intangible Assets	**215**	362

Reconciliation of Non-Current Assets

The following shows the movement of non-current assets during 2007-08.

	Land, Buildings & Imprv'mnts	Plant & Equipment	Rec, Sport and Stadia Infrastrctr	Work in Progress	Works of Art	**Total Tangible Assets**
Fair Value:	$'000	$'000	$'000	$'000	$'000	**$'000**
Balance at 30 June 2007	34 965	7 795	118 589	857	27	**162 233**
Additions	229	548	449	1 702	-	**2 928**
Assets classified as held-for-sale	(2 589)	-	-	-	-	**(2 589)**
Other (includes reclassifications, disposals and retirements)	(28)	(1 310)	-	(19)	-	**(1 357)**
Revaluation increment (decrement)	5 699	-	53 267	-	-	**58 966**
Acquisitions through administrative restructure	156 315	5 647	-	396	4 643	**167 001**
Other changes	949	-	-	(949)	-	**-**
Balance at 30 June 2008	195 540	12 680	172 305	1 987	4 670	**387 182**

Reconciliation of Non-Current Assets (continued)

	Land, Buildings & Imprv'mnts $'000	Plant & Equipment $'000	Rec, Sport and Stadia Infrastrctr $'000	Work in Progress $'000	Works of Art $'000	**Total Tangible Assets $'000**
Accumulated Depreciation/Amortisation						
Balance at 30 June 2007	(12 816)	(5 798)	(3 282)	-	-	**(21 896)**
Assets classified as held-for-sale	146	-	-	-	-	**146**
Other (includes reclassifications, disposals and retirements)	28	1 310	-	-	-	**1 338**
Depreciation expense	(1 109)	(647)	(2 013)	-	-	**(3 769)**
Revaluation increment (decrement)	(1 110)	-	(30 494)	-	-	**(31 604)**
Acquisitions through administrative restructure	(85 207)	(4 116)	-	-	-	**(89 323)**
Other changes	692	-	(692)	-	-	**-**
Balance at 30 June 2008	**(99 376)**	**(9 251)**	**(36 481)**	**-**	**-**	**(145 108)**
Net Book Value at 30 June 2008	**96 164**	**3 429**	**135 824**	**1 987**	**4 670**	**(242 074)**
Net Book Value at 30 June 2007	22 149	1 997	115 307	857	27	140 337

	Computer Software $'000	Other Intangibles $'000	**Total Intangible Assets $'000**
Fair Value:			
Balance at 30 June 2007	2 019	128	**2 147**
Additions	39	-	**39**
Assets classified as held-for-sale	-	-	**-**
Other (includes reclassifications, disposals and retirements)	-	-	**-**
Revaluation increment (decrement)	-	-	**-**
Acquisitions through administrative restructure	-	-	**-**
Other changes	-	-	**-**
Balance at 30 June 2008	2 058	128	**2 186**
Accumulated Depreciation/Amortisation			
Balance at 30 June 2007	(1 759)	(26)	(1 785)
Assets classified as held-for-sale	-	-	-
Other (includes reclassifications, disposals and retirements)	-	-	-
Amortisation	(160)	(26)	(186)
Acquisitions through administrative restructure	-	-	-
Other changes	-	-	-
Balance at 30 June 2008	**(1 919)**	**(52)**	**(1 971)**
Net Book Value at 30 June 2008	**139**	**76**	**215**
Net Book Value at 30 June 2007	260	102	362

22. Payables

	2008 $'000	2007 $'000
Current:		
Creditors	**13 334**	10 792
Accrued expenses	**385**	824
Employment on-costs	**1 569**	1 446
Total Current Payables	**15 288**	13 062
Non-Current:		
Employment on-costs	**1 323**	1 324
Total Non-Current Payables	**1 323**	1 324
Total Payables	**16 611**	14 386
Government/Non-Government Payables:		
Payables to SA Government Entities:		
Creditors	**4 330**	4 468
Employment on-costs	**2 892**	2 770
Total Payables to SA Government Entities	**7 222**	7 238
Payables to Non-SA Government Entities:		
Creditors	**9 004**	6 324
Accrued expenses	**385**	824
Total Payables to Non-SA Government Entities	**9 389**	7 148
Total Payables	**16 611**	14 386

Interest Rate and Credit Risk

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

23. Borrowings

	2008	2007
Current:	**$'000**	$'000
Loans from non-SA Government	**298**	279
Total Short-term Borrowings	**298**	279
Non-Current:		
Loans from non-SA Government	**3 735**	4 031
Total Long-term Borrowings	**3 735**	4 031
Total Borrowings	**4 033**	4 310

Borrowings represent loans underwritten by the Department as guarantor to external organisations. Borrowings consist of two loans at fixed interest rates of 7.99 percent and 7.34 percent respectively. Both loans have a maturity date of June 2017.

24. Employee Benefits

	2008	2007
Current:	**$'000**	$'000
Annual leave	**6 037**	5 818
Long service leave	**2 649**	1 924
Accrued salaries and wages	**1 603**	1 231
Total Short-Term Employee Benefits	**10 289**	8 973
Non-Current:		
Long service leave	**14 224**	13 852
Total Long-Term Employee Benefits	**14 224**	13 852
Total Employee Benefits	**24 513**	22 825

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2007-08 is $11.9 million and $15.5 million respectively.

In the 2007-08 financial year, the long service leave benchmark remains at 6.5 years based on an actuarial assessment.

25. Provisions

	2008	2007
Current:	**$'000**	$'000
Provision for workers compensation	**1 176**	995
Other provisions	**35 000**	-
Total Current Provisions	**36 176**	995
Non-Current:		
Provision for workers compensation	**3 004**	2 656
Total Non-Current Provisions	**3 004**	2 656
Total Provisions	**39 180**	3 651
Carrying amount at 1 July	**3 651**	274
Increase in provisions recognised	**35 529**	3 377
Carrying Amount at 30 June	**39 180**	3 651

Other provisions comprise a financial guarantee provided by the Premier for the Alice Springs to Darwin Railway Project.

26. Other Liabilities

	2008	2007
Current:	**$'000**	$'000
Unearned revenue	**87**	84
Total Current Other Liabilities	**87**	84

27. Transferred Functions

Pursuant to section 29 of the *Adelaide Festival Centre Trust Act 1971*, certain assets of the Trust transferred to the Department effective 30 June 2008.

	Adelaide Festival Centre Trust	2008 Total
Non-Current Assets:	**$'000**	**$'000**
Property, plant and equipment	**73 035**	**73 035**
Works of art	**4 643**	**4 643**
Total Assets	**77 678**	**77 678**
Net Assets Transferred In	**77 678**	**77 678**
Total Revenues from Restructuring	**77 678**	**77 678**

28. Unrecognised Contractual Commitments

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:

	2008	2007
	$'000	$'000
Within one year	8 700	8 168
Later than one year but not longer than five years	19 868	14 220
Total Remuneration Commitments	**28 568**	22 388

Amounts disclosed include commitments arising from executive and other service contracts. The Department does not offer remuneration contracts greater than five years.

Operating Lease Commitments

The Department as Lessee

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

	2008	2007
	$'000	$'000
Within one year	9 079	7 861
Later than one year but not longer than five years	17 917	17 570
Later than five years	10 390	7 679
Total Operating Lease Commitments	**37 386**	33 110
Representing:		
Non-cancellable operating leases	37 386	33 110
Total Operating Lease Commitments	**37 386**	33 110

At the reporting date, the Department's operating leases are for the lease of office accommodation and office equipment.

- Office accommodation is leased from the Real Estate Management business unit of the Department for Transport, Energy and Infrastructure. The leases are non-cancellable with terms ranging from 2 to 15 years, with some leases having right of renewal. The rental amount is based on floor space and the time period of the lease, with the rental rate reviewed taking into account movements in market rental values or CPI. Rental is payable in advance.

- Motor vehicle leases are non-cancellable, with rental payment monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.

- Office equipment leases are non-cancellable with rental payable in arrears. No contingent rental provisions exist within the lease arrangement and no options exist to renew the leases at the end of their term.

For the current financial year, the total amount of rental expense for minimum lease payments for operating leases was $10.5 million ($6.2 million).

The Department as Lessor

	2008	2007
Leases receivable contracted for at the reporting date but not recognised as assets:	$'000	$'000
Within one year	3 947	393
Later than one year but not longer than five years	16 518	123
Later than five years	78 584	250
Total Other Commitments	**99 049**	766
Representing:		
Non-cancellable operating leases	99 049	766
Total Operating Lease Commitments	**99 049**	766

The Department's leases as Lessor include:

- sporting venues and office accommodation leased to various sporting organisations. The leases are non-cancellable with terms ranging from 1 to 25 years with some leases having right of renewal;

- the Adelaide Festival Centre and Her Majesty's Theatre leased to the Adelaide Festival Centre Trust. The lease is non-cancellable for 20 years with the right of renewal.

Capital Commitments	**2008**	2007
	$'000	$'000
Within one year	**5 544**	-
Total Other Commitments	**5 544**	-

The Department's capital commitments include:
- the Dunstan Playhouse refurbishment
- an Electronic Cabinet Online system to be completed in 2008-09
- upgrade of the AM Ramsay Regatta Rowing Course
- a Land Reserve Put Option yet to be exercised.

Other Commitments	**2008**	2007
	$'000	$'000
Within one year	**14 568**	20 599
Later than one year but not longer than five years	**16 763**	8 020
Later than five years	**17 160**	13
Total Other Commitments	**48 491**	28 632

The Department's other commitments include:
- agreements for the provision of assistance to the Carnegie Mellon University and Cranfield University for the operations of the Universities in Adelaide;
- upgrade and maintenance of the existing solar farm based at Umuwa on the APY Lands;
- provision of funding for maintenance work to be undertaken on the Adelaide Festival Centre;
- grant funding agreements to be paid by the Office for Recreation and Sport, SafeWork SA and Arts SA.

29. Contingent Assets and Liabilities

Contingent Assets

SA Government Salary Sacrificing Arrangement Panel Agreement (Public Sector Workforce Division)

In 2008 the Government entered into salary sacrificing agreements with McMillan Shakespeare Australia, Remunerator Pty Ltd and SmartSalary Pty Ltd. The agreements allow the Minister or his delegate to withdraw up to a total of $800 000 when an Unconditional Financial Undertaking is present to fund any interim measures to avoid disruption to the salary sacrifice arrangements provided to employees.

Contingent Liabilities

South Australian Netball Association (Office for Recreation and Sport)

In 1997 the Government entered into formal arrangements with the South Australian Netball Association (SANA), regarding the construction of a netball stadium at Mile End. The arrangements resulted in the SANA securing a loan of $3.5 million from an external banking institution to be applied with Government funding toward the stadium construction. As part of the arrangement the Government underwrites the loan of the SANA. As such the Department is contingently liable for the outstanding balance of the loan of the SANA. At balance date the outstanding balance of the loan was $1.69 million ($1.8 million). The Department was not required to make any contributions during the reporting period.

Legal Proceedings (SafeWork SA)

The Department is involved in prosecuting breaches under the *Occupational Health Safety and Welfare Act 1986*, *Fair Work Act 1994*, *Explosives Act 1936* and *Dangerous Substances Act 1979*. At balance date there were a number of matters (60 matters) before the courts and are yet to be resolved. In the event decisions are not awarded in the favour of the Department, the contingent liability is estimated to be $400 000 for the court costs.

Alice Springs to Darwin Railway (Commercial Advice)

The AustralAsia Railway Corporation (the Corporation), the Northern Territory (NT) and South Australian (SA) Governments and Asia Pacific Transport Pty Ltd have entered into a concession arrangement for the design, construction, operation and maintenance of the Alice Springs to Darwin Railway on a build, own, operate, transfer-back basis.

Both the SA and NT Governments guarantee the obligations of the Corporation. The guarantee is a joint guarantee but the SA and NT Governments each accept responsibility for breach of an indemnity that is caused by its act or omission. Where the event giving rise to a Corporation obligation is solely caused by one jurisdiction, that jurisdiction accepts sole responsibility. If both the SA and NT Governments caused the event, then each accepts responsibility to the extent to which it caused the event.

For other Corporation obligations, the SA and NT Governments accept liability for events occurring within the geographical area of its jurisdiction. Principally, the Corporation has granted indemnities to ensure that title to the railway corridor is secure for the construction and operation of the railway infrastructure. These indemnities cover risks related to native title claims, undisclosed interests in the corridor, environmental contamination, heritage and sacred sites and environmental assessment processes.

The project documents provide for the early termination of the concession arrangement by Asia Pacific Transport Pty Ltd. In certain circumstances that would give rise to the payment of an early termination amount. The amount includes all debt and debt break costs for the project, certain agreed break costs for the project, certain agreed break costs for third party contractors and payments to equity. For all these events the cure is within the control of either the Corporation or the Governments.

Alice Springs to Darwin Railway (Commercial Advice) (continued)
While the Department is not a signatory to these agreements, the SA Government has assigned responsibility for these agreements to the Department. If a subsequent event were triggered such that the SA Government had to honour a commitment under the agreement that commitment would have to be funded by the SA Government and the payment would be made through the Department.

Glenthorne Farm (Commercial Advice)
Glenthorne Farm, at O'Halloran Hill, was purchased by the University of Adelaide from the Commonwealth Scientific and Industrial Research Organisation (CSIRO), with the assistance of a grant from the SA Government in May 2001. A contract signed by the SA Government and the University of Adelaide resulted in the former assuming liability for any possible third party claims resulting from any contamination that may be discovered on the property.

The SA and Commonwealth Governments agreed by exchange of letters that, in the event of such a claim, the State Government reserves its right to seek a contribution from the Commonwealth based on the Commonwealth's previous ownership of the land.

30. Cash Flow Reconciliation

Reconciliation of Cash and Cash Equivalents	**2008** **$'000**	2007 $'000
Cash and cash equivalents as recorded in the Balance Sheet	**36 021**	40 216
Cash and cash equivalents as recorded in the Cash Flow Statement	**36 021**	40 216

Reconciliation of Net Cash (used in) provided by Operating Activities to Net Cost of Providing Services

	2008 $'000	2007 $'000
Net cash (used in) provided by operating activities	**(13 884)**	19 105
Less: Revenues from SA Government	**(279 274)**	(225 903)
Add: Payments to SA Government	**13 718**	-
Add (Less): Non-Cash Items:		
Depreciation of property, plant and equipment	**(3 769)**	(2 501)
Amortisation of intangibles	**(186)**	(140)
Net loss on disposal of assets	**-**	(26)
Net loss on restructuring	**-**	25 817
Impairment loss recognised	**-**	(6 350)
Resources received free of charge	**130**	800
Change in Assets and Liabilities:		
Increase in receivables	**3 378**	5 064
(Decrease) Increase in inventories	**(23)**	78
Increase in payables	**(2 184)**	(10 191)
Increase in employee benefits	**(1 688)**	(15 572)
Increase in provisions	**(35 529)**	(3 377)
Increase in borrowings	**-**	(4 177)
Increase in other liabilities	**(3)**	(61)
Net Cost of Providing Services	**(319 314)**	(217 434)

31. Financial Instruments

(a) Categorisation of Financial Instruments

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

		2008		2007	
Financial Assets	Note	**Carrying Amount $'000**	**Fair Value $'000**	Carrying Amount $'000	Fair Value $'000
Cash and cash equivalents:					
Cash and cash equivalents	17	**36 021**	**36 021**	40 216	40 216
Receivables: [(1)]					
Receivables	18	**3 164**	**3 164**	3 630	3 630
Less: Allowance for doubtful debts: [(1)]					
Receivables	18	**(35)**	**(35)**	(135)	(135)
Accrued revenues: [(1)]					
Receivables	18	**1 231**	**1 231**	1 607	1 607
Loans: [(1)]					
Receivables	18	**30**	**30**	135	135
Less: Allowance for doubtful loans: [(1)]					
Receivables	18	**(30)**	**(30)**	(30)	(30)

(a) Categorisation of Financial Instruments (continued)

		2008		2007	
		Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities	Note	**$'000**	**$'000**	$'000	$'000
Creditors: [1]					
Payables	22	**13 048**	**13 048**	10 570	10 570
Accrued expenses: [1]					
Payable	22	**385**	**385**	824	824
Loans from non-SA Government:					
Borrowings	23	**4 033**	**4 033**	4 310	4 310
Other provisions:					
Short-term provisions	25	**35 000**	**35 000**	-	-
Unearned revenue:					
Other liabilities	26	**87**	**87**	84	84

(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) except for employee on-costs which are determined via reference to the employee benefit liability to which they relate.

Credit Risk

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

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

Allowances for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently the Department does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer to Note 18 for information on the allowance for impairment in relation to receivables.

(b) Ageing Analysis of Financial Assets

The following table discloses the ageing of financial assets, past due.

	Past Due By			
	Overdue for less than 30 Days	**Overdue for 30-60 Days**	**Overdue for more than 60 Days**	**Total**
2008	**$'000**	**$'000**	**$'000**	**$'000**
Receivables	**2 140**	**270**	**754**	**3 164**
Less: Allowance for doubtful debts	**3**	**-**	**32**	**35**
Accrued Revenues	**1 231**	**-**	**-**	**1 231**
Loans	**30**	**-**	**-**	**30**
Less: Allowance for doubtful loans	**30**	**-**	**-**	**30**
2007				
Receivables	3 488	74	68	3 630
Less: Allowance for doubtful debts	67	-	68	135
Accrued Revenues	1 607	-	-	1 607
Loans	30	35	70	135
Less: Allowance for doubtful loans	30	-	-	30

(c) Maturity Analysis of Financial Assets and Liabilities

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

	Contractual Maturities			
	Carrying Amount	**Less than 1 Year**	**1-5 Years**	**More than 5 Years**
2008	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets:				
Cash and cash equivalents	**36 021**	**36 021**	**-**	**-**
Receivables	**3 164**	**3 164**	**-**	**-**
Less: Allowance for doubtful debts	**35**	**35**	**-**	**-**
Accrued Revenues	**1 231**	**1 231**	**-**	**-**
Loans	**30**	**-**	**30**	**-**
Less: Allowance for doubtful loans	**30**	**-**	**30**	**-**
Total Financial Assets	**40 381**	**40 381**	**-**	**-**

(c) Maturity Analysis of Financial Assets and Liabilities (continued)

	Contractual Maturities			
	Carrying Amount	Less than 1 Year	1-5 Years	More than 5 Years
2008	**$'000**	**$'000**	**$'000**	**$'000**
Financial Liabilities:				
Creditors	**13 048**	**13 048**	**-**	**-**
Accrued expenses	**385**	**385**	**-**	**-**
Loans from non-SA Government	**4 033**	**297**	**1 477**	**2 259**
Other provisions	**35 000**	**35 000**	**-**	**-**
Unearned revenue	**87**	**87**	**-**	**-**
Total Financial Liabilities	**52 553**	**48 817**	**1 477**	**2 259**
2007				
Financial Assets:				
Cash and cash equivalents	40 216	40 216	-	-
Receivables	3 630	3 630	-	-
Less: Allowance for doubtful debts	135	135	-	-
Accrued Revenues	1 607	1 607	-	-
Loans	135	105	30	-
Less: Allowance for doubtful loans	30	-	30	-
Total Financial Assets	45 423	45 423	-	-
Financial Liabilities:				
Creditors	10 570	10 570	-	-
Accrued expenses	824	824	-	-
Loans from non-SA Government	4 310	279	1 367	2 664
Unearned revenue	84	84	-	-
Total Financial Liabilities	15 788	11 757	1 367	2 664

32. Remuneration of Board and Committee Members

The Department has established a number of boards and committees where members receive or are entitled to receive remuneration for their membership. Members that were entitled to receive remuneration for membership during the 2007-08 financial year were:

Social Inclusion Board
D Cappo*
K Colbung*
W Cossey
G Hugo
B Cass
A McKenzie*
T Smith*
M Patetsos
M Wagstaff (from 1 August 2007)

Indigenous Advisory Council
H Miller
M Anderson
A Rigney
A Agius
L O'Brien
K Colbung*
D Walker (to 12 March 2008)
K Thomas (from 1 May 2008)
S Gollan (from 1 May 2008)
S Wilson (from 1 May 2008)
A Stuart (from 1 May 2008)

Asbestos Advisory Committee
C Brown

Literature Peer Assessment Panel
K Brooks (to 27 March 2008)
P Curtin (to 29 July 2007)
R Hosking (to 27 March 2008)
J Thomas
S Williams
J Aquilina (from 27 August 2007)
N Pluss (from 27 March 2008)
N Prescott (from 27 March 2008)

Aboriginal Heritage Committee
S Dodd
M George
A Wilson (to 31 January 2008)
P Buckskin* (to 31 December 2007)
P Coulthard (to 31 December 2007)
M Turner*
I Agius (to 30 November 2007)
L Casey (31 December 2007)
E McNamara
M Ah Chee
A Rigney
S Sparrow
D Likouresis (from 1 February 2008)
W Miller (from 1 February 2008)
G Owen (from 1 February 2008)
C Smith (from 1 February 2008)
H Smith (from 1 February 2008)
A Starkey (from 1 February 2008)

SA Strategic Plan Community Engagement Board
P Blacker
K Colbung*
K Klein
H Le*
P Mickan
D Mutton
J Rich
M Wagstaff
J Bastian (to 31 January 2008)
M Vast
S Forrest*
K Wells (to 30 January 2008)
B Wright (to 31 December 2007)
D Klingberg (from 30 June 2008)
I Chessell (from 30 June 2008)
M Brennan (to 31 December 2007)
D Cappo* (to 27 September 2007)
S Roux (to 1 November 2007)

Petroleum Products Retail Outlets Board
J Hamilton
C Jones
N Thredgold

Physical Activity Council
P Brooks (to 22 November 2007)
J Dry
P Hamilton
C Sanders
J Williams (to 22 November 2007)
S Clement (from 23 November 2007)
E Thompson (from 23 November 2007)

Occupational Health, Safety and Welfare Review Committee
W Cornish
J Bradshaw
A Gleeson
P Farmer
I Law
D Frith
J Halls
J Giles
K Edwards
S Sampson (to 25 October 2007)
J Cavanough
A Alcock
J Brownsea
B Smedley
M O'Malley
J Wilder

Premier's Round Table on Sustainability(1)
K Wells
M Eames
D Atkins
O Morozow
D Bilsborough
A Huang
A Stock
P Paton
Y Sneddon
M Oliphant
A Williams
T Woodward
N Vincent
M Young
J Tate

Art for Public Places Committee
S Carson (to 30 June 2008)
R Andrews* (to 30 June 2008)
N Cumpston* (to 30 June 2008)
I Hamilton
M Edgecombe (to 30 June 2008)
N Folland
G Lee
P Mortimer* (to 30 June 2008)
M Murray

Organisations Assessment Panel
A Kohn (to 31 December 2007)
J Van Hakartano (to 31 December 2007)
P Walton (to 31 December 2007)
L Donnelley
S Chance
K Goldsworthy
D Longley
V Szekeres (to 31 December 2007)
S Wittington
A Turnbridge (from 10 March 2008)
E Webb (from 10 March 2008)

Premier's Climate Change Council
D Bursill
R Chapman
D Davidson
J Kerr
D Klingberg (Chair)
S Miller*
M O'Kane
J Pettett
V Sanders
J White

SafeWork SA Advisory Council
J Cavanough
J Davison*
D Farrell (to 7 September 2007)
D Frith
J Giles
M Heylen
M Howard
M O'Malley
M Patterson*
T Phillips
A Wood
D Blairs (from 29 November 2007)

Privacy Committee of South Australia
G Mailes* (25 January 2008)
B Quirke*
N Rogers*
T Ryan*
A Stanley*
L Thomas (to 8 November 2008)
C Radbone* (from 25 March 2008)
S Doherty (from 1 November 2007)

Community Arts Development Assessment Panel (formerly) Health Promotion Through the Arts Assessment Committee
J Clutterbuck
J Orchard*
T Sexton
J Thomas
O Black (from 3 May 2008)
J Boase (from 3 May 2008)
M Crompton* (from 3 May 2008)
R Johnston* (from 3 May 2008)
E O'Donovan (from 3 May 2008)

Contemporary Music Peer Assessment Panel
C Armstrong
T Coates
A Edwards (to 6 December 2007)
T Koch
B Lyon
P Murton
G Skuthorpe
J Sweeney (from 1 February 2008)

Performing Arts Peer Assessment Panel
D Alferink (to 27 March 2008)
J Boase (to 29 July 2007)
M Carroll (to 27 March 2008)
A Cook* (to 27 March 2008)
K Hales-McCarthur (to 27 March 2008)
N Hurcombe (to 27 March 2008)
A Peluso
C Pompili (to 27 March 2008)
T Roppola (to 27 March 2008)
A Steel
R Chew
A Beare (from 27 March 2008)
G Brookman* (from 27 March 2008)

Boxing and Martial Arts Advisory Committee
R Soulio*
S McDonald
A Wong
T Ferrauto
J Leondaris
J Williams (to 1 August 2007)
J Cheesman
R Lee
D Casey
J Hughes*
V Cooper
R Osborne
A Alexander (from 31 August 2007)

Visual Arts, Craft and Design Peer Assessment Panel
A Baker
A Bishop
K Coelho (to 27 March 2008)
D Jones
M Kimber
J Louey (to 27 March 2008)
M Norman (to 27 March 2008)
J Pieda
S Waters
T Wren
C Andre (from 27 March 2008)
M Corbin (from 27 March 2008)
M Richardson (from 27 March 2008)

State Records Council
M Anderson*
H Croucher (to 23 November 2007)
J Ellis (to 23 November 2007)
S Farrimond (to 23 November 2007)
M Feltus*
S Froude*
R Green*
M Moore
K Percival (to 23 November 2007)
P Crush (from 23 November 2007)
S Marsden (from 23 November 2007)
G Thompson* (from 23 November 2007)
T Watson (from 23 November 2007)

Performing Arts Peer Assessment Panel (continued)
D Hastie (from 27 March 2008)
E Lovell (from 27 March 2008)
E Old (from 27 March 2008)
A Thompson (from 27 March 2008)

Richard Llewellyn A & D Trust
N Lillicrapp (to 30 June 2008)
S Luke (to 30 June 2008)
R Petchell (to 30 June 2008)
A Stock (to 30 June 2008)
K Worth (to 30 June 2008)
C Wainwright (to 30 June 2008)
K Morgan* (to 30 June 2008)
R Maurovic (to 30 June 2008)

Industrial Relations Advisory Committee
M Butler (to 30 August 2007)
A Dennard (to 15 February 2008)
P Eblen
J Giles
W Hanson (to 15 February 2008)
M Howard (to 15 February 2008)
N Kitchen
B McIntosh (to 15 February 2008)
M Patterson*
B Smedley
C Starr
C Vincent
M Wright*
R Buckler (from 16 February 2008)
F Donaghy (from 16 February 2008)
T Earls (from 16 February 2008)
D Frith (from 16 February 2008)
A Gallacher (from 16 February 2008)
J Hanson (from 16 February 2008)
R Cairney (from 13 December 2007 to 16 February 2008)
D Ditroia (from 13 December 2007 to 16 February 2008)

Remuneration Tribunal
H Bachmann
J Meeking
D Smythe

The numbers of members whose remuneration received or receivable falls within the following bands:	**2008 Number of Members**	2007 Number of Members
$0 - $9 999	**245**	223
$10 000 - $19 999	**11**	4
$20 000 - $29 000	**1**	-
Total Members	**257**	227

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 $383 000 ($237 000)

Amounts paid to a superannuation plan for board/committee members was $27 000 ($23 000).

* In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

(1) The Premier's Roundtable on Sustainability was dissolved on 30 June 2007.

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.

33. Events After Balance Date
There were no events after balance date.

Statement of Administered Income and Expenses for the year ended 30 June 2008

	Note	2008	2007
INCOME:		**$'000**	$'000
Revenues from SA Government		**40 489**	25 622
Revenues from Commonwealth		**27 511**	17 063
Revenues from fees and charges		**234**	2 138
Interest		**4**	2
Other income		**21**	139
Total Income		**68 259**	44 964
EXPENSES:			
Employee benefits	A3	**4 546**	2 287
Grants and subsidies	A4	**10 237**	12 559
Intra-Government transfers	A5	**9 928**	9 261
Supplies and services	A6	**8 883**	7 565
Total Expenses		**33 594**	31 672
OPERATING SURPLUS BEFORE RESTRUCTURE		**34 665**	13 292
DECREASE IN NET ASSETS DUE TO ADMINISTRATIVE RESTRUCTURE		**-**	(6 989)
OPERATING SURPLUS AFTER RESTRUCTURE		**34 665**	6 303

Statement of Administered Assets and Liabilities as at 30 June 2008

	Note	2008	2007
CURRENT ASSETS:		**$'000**	$'000
Cash		**62 019**	33 507
Receivables		**-**	9
Total Current Assets		**62 019**	33 516
NON-CURRENT ASSETS:			
Other		**-**	34
Total Non-Current Assets		**-**	34
Total Assets		**62 019**	33 550
CURRENT LIABILITIES:			
Payables		**3 126**	6 865
Short-term employee benefits	A7	**169**	163
Total Current Liabilities		**3 295**	7 028
NON-CURRENT LIABILITIES:			
Long-term employee benefits	A7	**144**	148
Other		**4 055**	6 514
Total Non-Current Liabilities		**4 199**	6 662
Total Liabilities		**7 494**	13 690
NET ASSETS		**54 525**	19 860
EQUITY:			
Retained earnings		**54 525**	19 860
TOTAL EQUITY		**54 525**	19 860

Statement of Changes in Administered Equity for the year ended 30 June 2008

	Retained Earnings $'000	Total $'000
Balance at 30 June 2006	13 557	13 557
Net Result after restructure for 2006-07	6 303	6 303
Total Recognised Income and Expense for 2006-07	6 303	6 303
Balance at 30 June 2007	19 860	19 860
Total Recognised Income and Expense for 2007-08	34 665	34 665
Balance at 30 June 2008	**54 525**	**54 525**

Statement of Administered Cash Flow for the year ended 30 June 2008

	2008 Inflows (Outflows) $'000	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH INFLOWS:		
Receipts from SA Government	**40 489**	25 622
Receipts from Commonwealth	**27 511**	11 823
Fees and charges	**234**	2 138
Interest	**4**	55
Other income	**64**	138
Total Cash Inflows	**68 302**	39 776
CASH OUTFLOWS:		
Employee benefits	**(4 543)**	(2 280)
Grants and subsidies	**(10 237)**	(12 559)
Intra-Government transfers	**(9 928)**	(9 261)
Supplies and services	**(15 082)**	(4 707)
Total Cash Outflows	**(39 790)**	(28 807)
Net Cash provided by Operating Activities	**28 512**	10 969
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH INFLOWS:		
Gain from restructuring	**-**	1 503
Total Cash Inflows	**-**	1 503
Net Cash Inflows from Financing Activities	**-**	1 503
NET INCREASE IN CASH HELD	**28 512**	12 472
CASH AT 1 JULY	**33 507**	21 035
CASH AT 30 JUNE	**62 019**	33 507

NOTES TO AND FORMING PART OF THE ADMINISTERED STATEMENTS

A1. Summary of Significant Accounting Policies

All Department accounting policies are contained in Note 2. The policies outlined in Note 2 of the Department's financial statements apply to both the departmental and Administered Financial Statements.

A2. Administered Items

The following funds and financial transactions were administered by the Department as at 30 June 2008. They do not represent controlled transactions of the Department. As such, they are not recognised in the financial statements of the Department.

- Special Act payments
- Bank of Tokyo cultural and social exchange
- SA Okayama account
- Promotion of the State
- TVSP Scheme
- Social Inclusion - Homelessness
- Social Inclusion - School retention action plan
- APY Lands
- Aboriginal Affairs administered
- Government Workers Rehabilitation Compensation Fund
- Recreation and Sport Fund
- Sport and Recreation Fund

A3. Employee Benefits

	2008	2007
	$'000	$'000
Salaries and wages	**3 464**	1 839
Long service leave	**23**	55
Annual leave	**92**	60
Employment on-costs - Superannuation	**767**	238
Employment on-costs - Other	**200**	95
Total Employee Benefits	**4 546**	2 287

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:	2008 Number	2007 Number
$140 000 - $149 999	**1**	-
$150 000 - $159 999	**1**	-
$250 000 - $259 999	**2**	2
$290 000 - $299 999	**-**	1
$300 000 - $309 999	**1**	1
$310 000 - $319 999	**1**	-
$320 000 - $329 999	**1**	-
$330 000 - $339 999	**-**	2
$350 000 - $359 999	**-**	1
$360 000 - $369 999	**1**	2
$370 000 - $379 999	**2**	1
$380 000 - $389 999	**2**	-
$390 000 - $399 999	**-**	1
$400 000 - $409 999	**1**	-
$560 000 - $569 999	**1**	-
Total Number of Employees	**14**	11

The table includes all employees who received remuneration of $100 000 or more during the year paid by the State. The total remuneration received by employees listed in the table above, for the year was $4.61 million ($3.6 million).

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

A4. Grants and Subsidies

	2008	2007
	$'000	$'000
Grants paid to other SA Government departments	**9 390**	8 567
Grants paid to Non-SA Government departments	**847**	3 992
Total Grants and Subsidies	**10 237**	12 559

A5. Intra-Government Transfers

Other intra-government transfers	**8 755**	7 174
Recoveries by controlled items	**1 043**	1 287
Resources provided free of charge	**130**	800
Total Intra-Government Transfers	**9 928**	9 261

		2008	2007
A6.	**Supplies and Services**	**$'000**	$'000
	Community infrastructure	**6 542**	3 116
	Government Workers Compensation Fund	**889**	2 964
	Other supplies and services	**1 452**	1 485
	Total Supplies and Services	**8 883**	7 565

A7.	**Employee Benefits**		
	Current:		
	Salaries and wages	**70**	87
	Long service leave	**25**	29
	Annual leave	**52**	27
	Employment on-costs - Superannuation	**14**	11
	Employment on-costs - Other	**8**	9
	Total Short-Term Employee Benefits	**169**	163
	Non-Current:		
	Long service leave	**132**	135
	Employment on-costs - Superannuation	**5**	5
	Employment on-costs - Other	**7**	8
	Total Long-Term Employee Benefits	**144**	148
	Total Employee Benefits	**313**	311

DEPARTMENT OF PRIMARY INDUSTRIES AND RESOURCES

FUNCTIONAL RESPONSIBILITY

Establishment

The Department of Primary Industries and Resources (the Department) is an administrative unit established under the PSM Act.

Functions

The Department is responsible for delivering services that increase the prosperity of South Australians, improve their quality of life and ensure the sustainable economic development of the State's resource base for future generations. It also guides and administers the South Australian planning and development system.

As of 1 April 2007, the employees and functions of the Office for Volunteers transferred to the Attorney-General's Department. As of 1 July 2006, the employees and functions of the Forestry Policy and Industry Development division of the South Australian Forestry Corporation transferred to the Department.

STATUS OF THE FINANCIAL REPORT

The Department submitted its financial report to the Auditor-General within the statutory timeframes for presentation and the audit of the financial statements has progressed satisfactorily.

At the time of preparation of this Report the Department's Operating Account was not reconciled and the Department has delayed finalising the financial statements until it has satisfactorily addressed the reconciliation.

The audited financial report of the Department of Primary Industries and Resources for the year ended 30 June 2008 will be included in a Supplementary Audit Report to Parliament.

SA AMBULANCE SERVICE INC

FUNCTIONAL RESPONSIBILITY

Establishment

SA Ambulance Service Inc (the Ambulance Service) was, in the year to 30 June 2008, an Incorporated Association formed by the Minister for Health and subject to the provisions of the *Ambulance Services Act 1992* (the Act).

Functions

The functions of the Ambulance Service are to provide pre-hospital patient care and ambulance transport as part of the State's health and emergency services.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 14(2) of the Act and subsection 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of the Ambulance Service in respect of each financial year.

Assessment of Controls

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

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 statements and internal controls.

During 2007-08, specific areas of audit attention included:

- contracting and procurement
- budgetary control and management reporting
- general ledger processing
- expenditure including accounts payable and payroll
- revenue raising including cash receipting and banking
- ambulance transport revenue
- Ambulance Cover revenue.

The work of internal audit was considered in planning the audit programs.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the SA Ambulance Service Inc as at 30 June 2008, and 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 (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the SA Ambulance Service Inc 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 payroll related matters and payment delegations as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the SA Ambulance Service Inc 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 Chief Executive of the Ambulance Service. Notable matters raised with the Ambulance Service and the related responses are discussed below.

Payroll Related Matters

Validation of Overtime and Allowances – Metropolitan Operational Staff

Audit noted that the Ambulance Service has not established controls which ensure metropolitan (metro) operational staff are only paid overtime and allowances for actual hours worked.

Claims for overtime and allowances for metro operational staff are paid following submission of an approved timesheet.

In June 2007 the Ambulance Service varied existing controls and operational team leaders became responsible for validating and approving timesheets for metro operational staff. Prior to this date centralised rostering personnel were responsible for validating overtime claims.

The audit for 2006-07 noted that team leaders did not have access to the rostering and ambulance dispatch systems which is necessary to validate overtime and allowance claims. The Ambulance Service responded that a Task Group would be established to consider the long-term control options following the implementation of upgrades to the rostering and ambulance dispatch systems.

Audit follow up in June 2008 noted that:

- the Ambulance Service had revised its control procedures and no longer required Team Leaders to validate overtime and allowance claims submitted by metro operational staff
- Ambulance Service payroll staff are now required to review and validate overtime and allowance claims by metro operational staff
- the Ambulance Service had not appointed the additional payroll staff it considered necessary to perform this review.

The Ambulance Service advised that additional payroll staff had been recruited and that the validation of metropolitan operational staff timesheets would commence immediately.

Leave Processing – Country Operational Staff

Leave entitlements for country operational staff are adjusted in the payroll system for leave taken following the submission of approved timesheets. The prompt receipt of employee timesheets provides assurance that leave balances for country operational staff are accurate.

As at May 2008 Audit identified a significant number of outstanding timesheets from country operational staff.

The lack of effective follow up procedures for outstanding country operational timesheets was noted in last year's Report.

The Ambulance Service advised that senior management will now receive reports on all timesheets outstanding for more than two months and will follow up these outstanding timesheets with applicable operational managers.

Time Recording – Non-Operational Staff

In prior years Audit noted that the Ambulance Service had not established controls which effectively monitored attendance for non-operational staff and ensured that all leave taken by non-operational staff was reflected in the payroll system.

To address these concerns the Ambulance Service implemented a time recording procedure which required managers to certify staff attendance on a fortnightly basis and to forward certificates to payroll officers for processing. As at May 2008 Audit noted that payroll had not received a large number of these certificates.

The Ambulance Service has proposed introducing regular status reports to senior management so that follow up of outstanding certificates will form part of the performance management arrangements for all managers.

Payment Delegations

The Ambulance Service operates under an established delegation of authority framework. The Ambulance Service's Financial Delegations Policy is regularly reviewed for appropriateness and consistency with the organisations operational requirements, and is subject to Board approval.

TI 8 was revised effective from 1 July 2006. The revised TI 8 required the Ambulance Service's payment delegations to be approved by the Minister.

In August 2007 Audit noted that the Ambulance Service's payment delegations were not approved by the Minister as required by TI 8.

Follow up in March 2008 concluded that, at that time, the Minister had not approved the Ambulance Service's payment delegations.

The Ambulance Service indicated amended delegations of authority, approved by the Minister and prepared on a consistent basis with delegations of authority for the Department of Health, were received on 1 July 2008. Factors identified by the Ambulance Service which delayed settling the delegations included the need to align documentation with that used by the Department and changed reporting and authority arrangements following the implementation of revised governance arrangements with effect from 1 July 2008.

Ambulance Service Computer Processing Environment

The audit of the Ambulance Service includes the review of the computer processing environment for significant systems including the:

- Ambulance Revenue and Subscription system
- HP Inventory systems
- Comcen Ambulance Dispatch system.

In 2007-08, a follow up review was undertaken of the status of action by the Ambulance Service in response to matters previously raised by Audit. The review revealed that satisfactory resolution had occurred in a number of areas. However, certain matters had not been appropriately actioned. These related to:

- finalisation of certain information and communication technology (ICT) policies and procedures

- acknowledgement of relevant information technology policies and procedures by Ambulance Service employees and volunteer staff

- monitoring by the Ambulance Service, in conjunction with the Department of Health, of system performance, network and security issues

- development and finalisation of Business Continuity and Disaster Recovery Planning which incorporates a formalised testing regime.

The Ambulance Service indicated that a number of Ambulance Service ICT functions were transferred to the ICT Services of the Department of Health in July 2008. The resolution of the matters raised would be addressed by the end of 2008.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008 $'million	2007 $'million	Percentage Change
EXPENSES			
Staffing and related costs	**96**	78	23
Supplies and services	**28**	24	17
Other Expenses	**20**	18	11
Total Expenses	**144**	120	20

	2008 $'million	2007 $'million	Percentage Change
INCOME			
Ambulance transport fees	**49**	43	14
Ambulance cover	**18**	17	6
Other	**5**	5	-
Total Income	**72**	65	11
Net Cost of Providing Services	**(72)**	(55)	31
REVENUES FROM SA GOVERNMENT	**66**	54	22
Net Result	**(6)**	(1)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	**6**	13	(54)
ASSETS			
Current assets	**27**	36	(25)
Non-current assets	**58**	50	16
Total Assets	**85**	86	(1)
LIABILITIES			
Current liabilities	**28**	32	(13)
Non-current liabilities	**12**	6	100
Total Liabilities	**40**	38	5
EQUITY	**45**	48	(6)

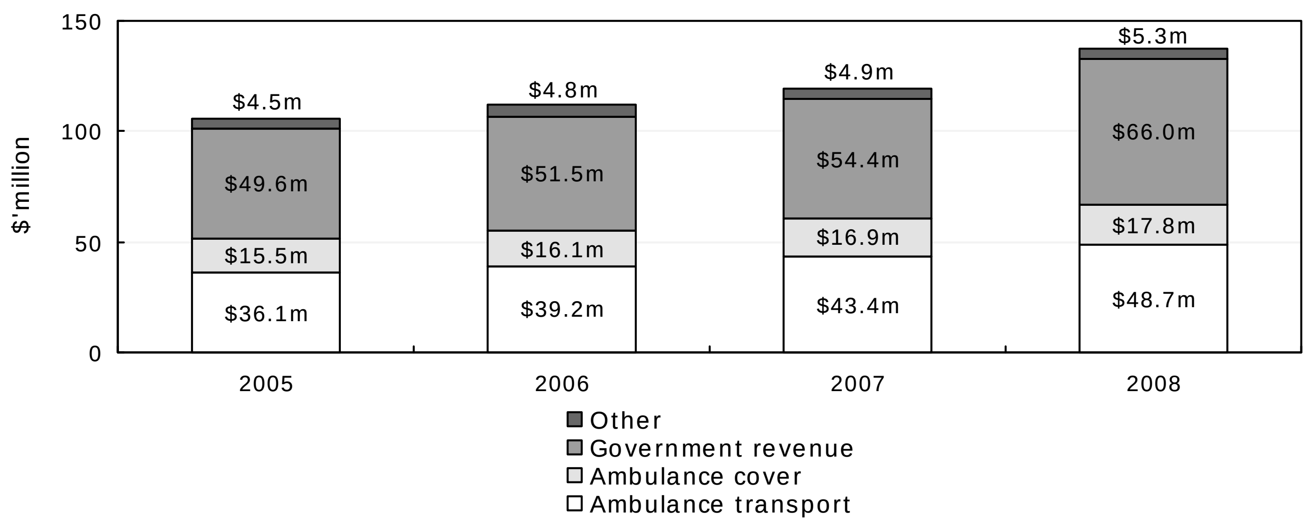
Income Statement

Income

Revenues from the SA Government are approximately 48 percent of total income which is consistent with the previous four years and demonstrates the dependency of the Ambulance Service on government funding. Revenues from SA Government increased by 22 percent to $66 million to support increased rates of pay for Ambulance Service staff following the approval of a revised Enterprise Agreement effective from 1 January 2007.

Ambulance transport revenue for 2008 increased by 14 percent to $48.7 million as a result of a 5 percent increase in the volume of chargeable ambulance usage and a 4 percent increase in rates for ambulance services.

A structural analysis of income for the Ambulance Service in the four years to 2008 is presented in the following chart.

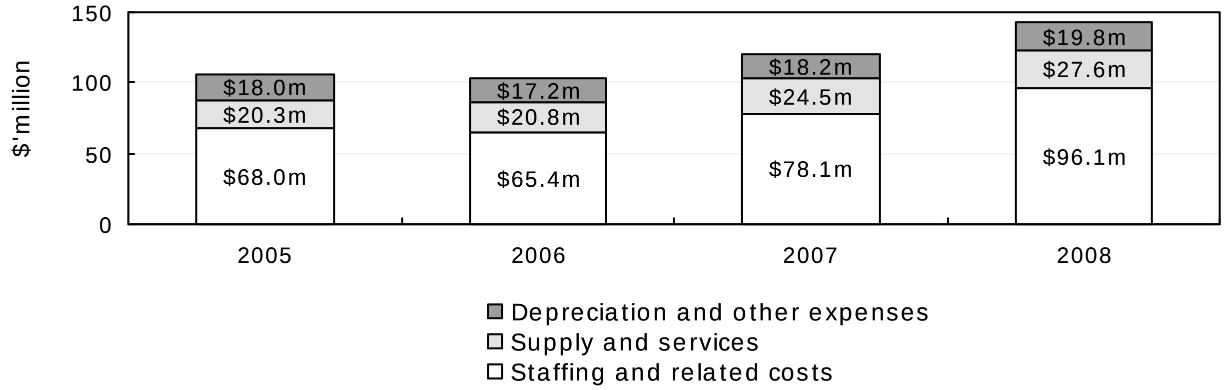


Expenses

During 2008 staffing and related costs increased by $18 million to $96.1 million. This increase was due mainly to:

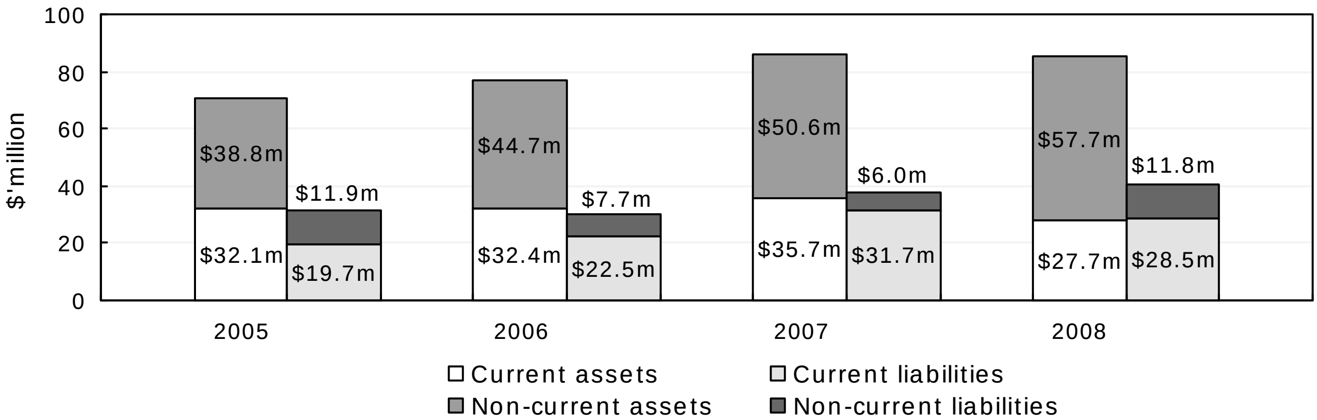
- an increase in the cost of salaries and wages of $9 million following a 3.5 percent increase in staff rates of pay and an 8 percent increase in staff numbers.
- a $9 million increase in expenses associated with the defined benefit superannuation scheme principally due to a reduction in the fair value of scheme assets.

For the four years to 2008, a structural analysis of the main operating expense items for the Ambulance Service is shown in the following chart.



Balance Sheet

For the four years to 2008, a structural analysis of assets and liabilities is shown in the following chart.



Current assets mainly comprise cash and cash equivalents of $14 million and receivables of $13.5 million.

Receivables of $13.5 million, which principally related to charges for ambulance services, represent 49 percent of the Ambulance Service's current assets. The balance of receivables includes a provision for the value of debts considered doubtful as at 30 June. The Ambulance Service has estimated that 34 percent of outstanding debtors as at 30 June 2008 are unlikely to be collected.

Non-current assets increased by $7.1 million due mainly to the acquisition of $14.3 million of property, plant and equipment offset by depreciation charges of $8.6 million. The purchase of property, plant and equipment was partially funded from cash accumulated up to 30 June 2007 which is the main cause of the $8 million decrease in current assets.

Non-current liabilities increased by $5.8 million due mainly to the $6 million increase in the superannuation defined benefit liability.

A significant majority of Ambulance Service staff are members of the SA Ambulance Service Superannuation Scheme (the Scheme). These staff are eligible to receive a benefit from the Scheme on retirement, death, disablement or leaving the Ambulance Service.

The net superannuation defined benefit liability represents the difference between the present value of defined benefit obligations to members and the fair value of Scheme assets.

During 2008 the net superannuation defined benefit liability increased by $6 million due mainly to a $5.6 million decrease in the fair value of Scheme assets. The Scheme's Trust Deed and Rules require a qualified actuary to value the Scheme as at 30 June 2008 and every three years thereafter. The actuary is required to recommend the amounts or rates of contributions required by the Ambulance Service to ensure the stability of the Scheme and to ensure the rights of contributory members.

Mercer Investment Nominees Limited has been engaged to value the Scheme as at 30 June 2008.

The Scheme was closed to new members effective from 1 July 2008.

Cash Flow Statement

The following table summarises the net cash flows for the four years to 2008.

	2008	2007	2006	2005
	$'million	$'million	$'million	$'million
Net Cash Flows				
Operations	**6.0**	12.8	9.9	7.8
Investing	**(15.4)**	(10.0)	(12.3)	(8.6)
Change in Cash	**(9.4)**	2.8	(2.4)	(0.8)
Cash at 30 June	**14.0**	23.4	20.6	23.0

The analysis of cash flows shows that there was a decrease in cash from operations of $6.8 million and an increase in cash flows used in investing activities of $5.4 million associated with the acquisition of property, plant and equipment.

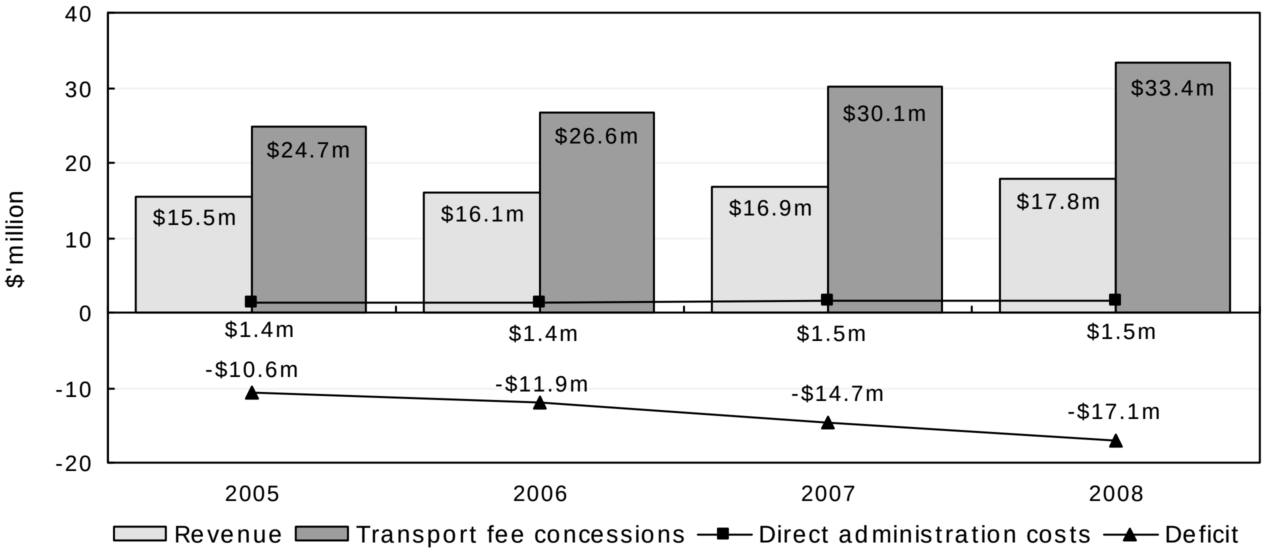
FURTHER COMMENTARY ON OPERATIONS

Ambulance Cover Scheme

The Ambulance Cover Scheme has a significant impact on the Ambulance Service's operating result as premiums charged do not cover the cost of transport concessions provided to subscribers.

Premiums received for 2007-08 of $17.8 million increased by $845 000 while concessions provided to subscribers increased by $3.3 million to $33.4 million.

The following chart reflects the movement in revenues, expenses and the deficit of the Ambulance Cover Scheme over the past four years and underlines the increasing deficit in Transport Fee Concessions.



Revised Governance Arrangements Effective 1 July 2008

On 1 July 2008 and in accordance with Schedule 4 of the *Health Care Act 2008* (the HC Act) the SA Ambulance Service Incorporated (Ambulance Service) ceased to be an association under the *Associations Incorporations Act 1985*. The HC Act provides for the continued existence of the Ambulance Service as a body corporate constituted under the HC Act.

Also on 1 July 2008 the *Ambulance Services Act 1992* was repealed. From this date the Ambulance Service is governed by the requirements of the HC Act.

Pursuant to subsection 50(1) of the HC Act the Chief Executive of the Department of Health is responsible for the administration of the Ambulance Service.

Income Statement
for the year ended 30 June 2008

	Note	**2008**	2007
EXPENSES:		**$'000**	$'000
Staffing and related costs	3	**96 086**	78 089
Supplies and services	4	**27 564**	24 452
Depreciation and amortisation expense	6	**8 565**	7 723
Net loss (gain) from the disposal of non-current assets	7	**394**	(120)
Other expenses	8	**10 882**	10 566
Total Expenses		**143 491**	120 710
INCOME:			
Revenue from Ambulance transport	9	**48 665**	43 416
Revenue from Ambulance Cover	10	**17 769**	16 924
Revenue from Call Direct		**1 974**	2 033
Other operating revenues	11	**2 291**	2 149
Revenue from Federal Government	12	**273**	297
Other income		**749**	454
Total Income		**71 721**	65 273
NET COST OF PROVIDING SERVICES		**(71 770)**	(55 437)
REVENUES FROM SA GOVERNMENT	12	**66 048**	54 381
NET RESULT		**(5 722)**	(1 056)

The net result is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2008

	Note	**2008**	2007
ASSETS:		**$'000**	$'000
CURRENT ASSETS:			
Cash and cash equivalents	1(m),21	**14 018**	23 397
Receivables	1(f),13	**13 473**	12 056
Inventories	1(g)	**249**	220
Total Current Assets		**27 740**	35 673
NON-CURRENT ASSETS:			
Property, plant and equipment	1(h),14	**57 656**	50 618
Total Non-Current Assets		**57 656**	50 618
Total Assets		**85 396**	86 291
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	15(a)	**8 296**	10 683
Short-term and long-term staffing related entitlements	16(a)	**18 928**	19 875
Short-term provisions	17(a)	**1 262**	1 160
Total Current Liabilities		**28 486**	31 718
NON-CURRENT LIABILITIES:			
Payables	15(b)	**116**	101
Long-term staffing related entitlements	16(b)	**8 927**	3 173
Long-term provisions	17(b)	**2 719**	2 741
Total Non-Current Liabilities		**11 762**	6 015
Total Liabilities		**40 248**	37 733
NET ASSETS		**45 148**	48 558
EQUITY:			
Contributed capital		**6 298**	6 298
Reserves	18	**16 590**	14 599
Retained earnings		**22 260**	27 661
TOTAL EQUITY		**45 148**	48 558

Total equity is attributable to the SA Government as owner

Commitments	19		
Contingent assets and liabilities	20		

Statement of Changes in Equity
for the year ended 30 June 2008

	Note	Contributed Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2006		6 298	12 901	27 766	46 965
Gain on revaluation of land during 2006-07	14	-	2 483	-	2 483
Gain on revaluation of leasehold improvements during 2006-07	14	-	958	-	958
Loss on revaluation of buildings during 2006-07		-	(792)	-	(792)
Net income/expense recognised directly in equity for 2006-07		-	2 649	-	2 649
Reserve transfers		-	1 577	(1 577)	-
Net result for 2006-07		-	-	(1 056)	(1 056)
Total recognised income and expenses for 2006-07		-	4 226	(2 633)	1 593
Balance at 30 June 2007		6 298	17 127	25 133	48 558
Error correction	18	-	(2 528)	2 528	-
Restated balance at 30 June 2007		6 298	14 599	27 661	48 558
Gain on revaluation of land during 2007-08	14	-	1 102	-	1 102
Gain on revaluation of leasehold improvements during 2007-08	14	-	487	-	487
Gain on revaluation of buildings during 2007-08		-	723	-	723
Net income/expense recognised directly in equity for 2007-08		-	2 312	-	2 312
Reserve transfers		-	(321)	321	-
Net result for 2007-08		-	-	(5 722)	(5 722)
Total recognised income and expense for 2007-08		-	1 991	(5 401)	(3 410)
Balance at 30 June 2008		**6 298**	**16 590**	**22 260**	**45 148**

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

Cash Flow Statement
for the year ended 30 June 2008

	Note	**2008 Inflows (Outflows) $'000**	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Staffing and related payments		**(91 343)**	(74 662)
Supplies and services		**(30 106)**	(24 224)
GST payments on purchases		**(3 823)**	(3 172)
GST remitted to ATO		**(8 971)**	(6 922)
Cash used in Operations		**(134 243)**	(108 980)
CASH INFLOWS:			
Receipts from ATO		**273**	297
Fees and charges		**59 150**	53 535
Interest received		**1 752**	1 536
GST receipts on receivables		**8 710**	7 340
GST input tax credits		**3 984**	3 083
Other Receipts		**297**	555
Cash generated from Operations		**74 166**	66 346
CASH FLOWS FROM SA GOVERNMENT		**66 044**	55 454
Net Cash provided by Operating Activities	21	**5 967**	12 820
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		**892**	1 683
Cash generated from Investing Activities		**892**	1 683
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(16 238)**	(11 746)
Cash used in Investing Activities		**(16 238)**	(11 746)
Net Cash used in Investing Activities		**(15 346)**	(10 063)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(9 379)**	2 757
CASH AND CASH EQUIVALENTS AT 1 JULY		**23 397**	20 640
CASH AND CASH EQUIVALENTS AT 30 JUNE		**14 018**	23 397

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of this financial report are detailed below:

(a) Entity Definition

SA Ambulance Service Incorporated (the Ambulance Service) is an incorporated association formed by the Minister for Health for the Government of South Australia under the *Associations Incorporation Act 1985* and is governed by the *Ambulance Services Act 1992*. The Minister of Health is the sole Member of the Ambulance Service.

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

(a) Entity Definition (continued)

On 1 July 2008 and in accordance with Schedule 4 of the *Health Care Act 2008* the SA Ambulance Services Incorporated ceased to be an association under the *Associations Incorporation Act 1985*. Refer Note 25 'Events After Balance Date' for further details.

The registered office of the Ambulance Service is located at 216 Greenhill Road, Eastwood, South Australia.

The principal activities of the Ambulance Service are the provision of high quality pre-hospital care and patient transport.

(b) Basis of Accounting

This financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs, TIs and APSs promulgated under the provisions of the PFAA.

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Ambulance Service for the reporting period ending 30 June 2008.

The Income Statement, Balance Sheet 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 are revalued and carried at fair value.

The Cash Flow Statement has been prepared on a cash basis.

This financial report has been prepared based on a 12 month operating cycle and presented in Australian currency rounded to the nearest thousand dollars ($'000).

(c) Comparative Information

The presentation and classification of items in this financial report are consistent with prior periods.

(d) Revenue Recognition

Ambulance Transport Revenue

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

Ambulance Cover Revenue

The Ambulance Service operates the Ambulance Cover scheme whereby members pay a subscription to cover themselves against the cost of ambulance transport. Ambulance Cover revenue is recognised upon receipt of the subscription fee.

Call Direct Revenue

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

Other Operating Revenues

Other operating revenues include interest received and donations. Donations are recognised when received, and interest when accrued.

Revenues from Government

Revenues from the State Government comprise contributions to meet the costs of government's community service obligations, for which services are provided by the Ambulance Service, funds for its motor vehicle replacement program and approved capital works. Government revenues are recognised when accrued.

Other Income

Other income represents rental, commissions and sundry revenue.

Disposal of Non-Current Assets

Income from the disposal of non-current assets is recognised when control of the asset has passed to the buyer and determined by comparing the proceeds with the carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings.

(e) Taxation

The Ambulance Service is a public ambulance service and is endorsed to receive deductible gifts, and is also exempt from income tax pursuant to the ITAA. The Ambulance Service is exempted under the *Fringe Benefits Tax Assessment Act 1986* for up to $17 000 of grossed-up taxable value per staff member and for remote housing benefit.

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

- the amount of GST incurred by the Ambulance Service as a purchaser that is not recoverable from the ATO is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- receivables and payables are stated with the amount of GST included.

(e) Taxation (continued)

The GST receivable/payable to the ATO has been recognised as part of receivables/payables in the Balance Sheet.

Cash flows are reported on a gross basis in the Cash Flow Statement. The GST component of cash flows arising from investing activities, which are recoverable from or payable to the ATO, have been classified as operating cash flows.

(f) Receivables

Receivables include amounts receivable for Ambulance Transport, Call Direct, prepayments and other accruals. Receivables from agencies and hospitals are normally received within 30 days.

Due to the nature of Ambulance Service operations, particularly Community Service Obligations, the Ambulance Service has a substantial number of doubtful debts for Ambulance Transport. Doubtful debts are written-off when there is objective evidence that they are uncollectable. The provision for doubtful debts is adjusted on a regular basis to ensure that it sufficiently covers the latest estimate of debts that may prove to be uncollectable.

(g) Inventories

Inventories represent materials and supplies to be consumed in the rendering of services. Inventories are measured at cost.

(h) Non-current Assets

All non-current tangible assets with a value of $10 000 or greater are capitalised. All items of non-current assets, with the exception of land, have a limited useful life, which is reviewed annually. Non-current assets, other than land, are systematically depreciated in a manner that reflects the consumption of service potential.

The major asset categories are subject to straight-line depreciation over the following estimated useful lives:

	Years
Buildings and leasehold improvements	5 - 40
Motor vehicles	1 - 8
Medical equipment	4 - 5
Plant and equipment*	3 - 25
Communication equipment	5 - 23

* Comprises information technology, office furniture and equipment, fixtures and fittings and training equipment.

Revaluation of non-current assets or groups of assets is only performed when their fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years. Every three years the Ambulance Service has its land, buildings and leasehold improvements independently valued and applies relevant indices provided by the value in intervening years.

Any revaluation increment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement.

Any revaluation decrease is recognised in the Income Statement, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation reserve 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 reserve relating to that asset is transferred to retained earnings.

All non-current assets are tested for impairment during normal maintenance programs and during revaluations. 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 reserve.

Refer to Note 14 for the basis of valuation for each major asset category.

(i) Operating Leases

Leases are identified as operating leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets. Operating lease payments are recognised as an expense on the basis that is representative of the pattern of benefits derived from the leased assets.

(j) Staffing Related Entitlements

Under the employment provisions of the *Ambulance Services Act 1992* the Chief Executive of the Department of Health is the 'employing authority' of all staff of the Ambulance Service. The Chief Executive of the Department of Health has delegated most of his powers and functions relating to the employment of staff to the Chief Executive Officer of the Ambulance Service. The Treasurer has also issued a direction to the Ambulance Service to make payments with respect to any matter arising in connection with the employment of a person under the *Ambulance Services Act 1992*. For the purposes of this financial report the terms 'staff' and 'staffing' exclude volunteers of the Ambulance Service.

Staffing related entitlements accrue for staff as a result of services provided up to the reporting date that remain unpaid. Long-term staffing entitlements are measured at present value and short-term staffing entitlements 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.

The liability/pre-payment for salaries and wages is measured as the amount unpaid/paid in advance at the reporting date at remuneration rates current at reporting date.

The annual leave and accrued days off liability expected to be payable within 12 months is measured at the undiscounted amount expected to be payable. The annual leave and accrued days off liability expected to be payable after 12 months are discounted to present value.

The liability for long service leave is recognised after a staff member has completed 6.5 years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of staff throughout the South Australian public sector, including the Ambulance Service, determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Ambulance Service experience of staff retention and leave taken.

The conditional portion of the long service leave provision is classified as non-current. The remainder is classified as current as the Ambulance Service does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date.

Superannuation Funds

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

The defined benefit liability has been recognised in the Balance Sheet in accordance with AASB 119. The expected payment to settle the obligation has been determined using national government bond market yields with terms and conditions that match, as closely as possible, to estimated cash outflows. Refer to Note 16(d).

Actuarial gains and losses are recognised in full, directly in the Income Statement, in the period in which they occur. The superannuation expense of the defined benefit plan is measured in accordance with AASB 119 and is recognised as and when contributions fall due.

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

(k) Workers Compensation

Staff of the Ambulance Service are covered by self insurance arrangements pursuant to the WRCA. Under a scheme arrangement the Ambulance Service is responsible for the management for workers rehabilitation and compensation and is directly responsible for meeting the cost of workers compensation claims and the implementation and funding of preventive programs.

Costs for the settlement of lump sum and redemption payments together with other claim costs are met directly by the Ambulance Service and are reflected as an expense from ordinary activities in the financial report.

The liability provision for workers compensation claims is based on an actuarial assessment performed by the Public Sector Workforce Division of the Department of the Premier and Cabinet. The liability includes claims incurred, but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid in the immediate future.

(l) Reserves

The amounts recorded as reserves, excluding asset revaluation, are represented by actual funds set aside for express purposes as follows:

Country Branch Reserves

These reserves are under the control of country branch committees in accordance with the provisions of SA Ambulance Service Country Branch Regulations and are applied to meet branch requirements.

Country Capital Reserve Fund

The Fund is applied for the purchase of capital items for the operation of country branches. Revenues are received from the transfer from Country Operating Reserve Fund, interest earnings and transfers from Country Branch Reserves towards capital projects.

Allocations from the Fund are administered by the Country Ambulances Services Advisory Committee (CASAC). The annual cost of purchasing capital items on behalf of country branches is recognised by the Fund as a transfer to Retained Earnings.

Country Operating Reserve Fund

The Country Operating Reserve Fund (CORF) was established to meet operating costs that relate to the operations of country branches. Allocations from the Fund are administered by CASAC. Revenues are received from volunteer branch operating surpluses as defined in the SA Ambulance Service Country Branch Regulations.

(m) Cash and Cash Equivalents

Cash and cash equivalents recorded in the Balance Sheet and Cash Flow Statement includes cash on hand and deposits held at call that are used in the cash management function on a day-to-day basis.

Cash is measured at nominal value.

(n) Payables

Payables include creditors, accrued expenses and employment on-costs.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of the Ambulance 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 and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

2. Changes in Accounting Policies

The AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Ambulance Service for the reporting period ending 30 June 2008. Management considers that the new and amended Standards and Interpretations will have no material effect on the accounting policies or the financial report of the Ambulance Service.

3. Staffing and Related Costs

	2008	2007
	$'000	$'000
Salaries and wages, annual and sick leave	**80 387**	71 267
Superannuation - Defined benefit scheme	**13 594**	4 565
Superannuation - Other	**71**	90
Long service leave	**2 034**	2 167
	96 086	78 089
Amounts recognised in income in respect of the defined benefit scheme are as follows:		
Current service cost*	**5 878**	5 542
Interest cost	**6 557**	5 082
Expected return on scheme assets	**(8 059)**	(6 453)
Actuarial losses	**9 218**	394
Total Included in Staffing and Related Costs	**13 594**	4 565

* Service cost does not include the cost of 3 percent Award contributions for some members.

4. Supplies and Services

	2008	2007
Information technology	**1 551**	2 563
Communication	**2 764**	2 369
Professional and administrative expenses	**4 955**	4 623
Occupancy	**3 561**	2 837
Training, travel, uniforms and other staff expenses	**5 180**	4 582
Consultancies	**453**	241
Medical	**4 568**	3 577
Vehicle operating	**3 521**	2 455
Marketing	**448**	604
Other	**563**	601
	27 564	24 452

4. Supplies and Services (continued)

	2008	2007
Supplies and Services provided by Entities within the SA Government:	**$'000**	$'000
Information technology	**943**	1 809
Communication	**1 374**	1 047
Professional and administrative expenses	**807**	568
Occupancy	**36**	103
Training, travel, uniforms and other staff expenses	**120**	40
Consultancies	**-**	22
Medical	**13**	9
Vehicle operating	**274**	-
	3 567	3 598
Supplies and Services provided by Entities external to SA Government:		
Training, travel, uniforms and other staff expenses	**5 060**	4 542
Professional and administrative expenses	**4 148**	4 055
Medical	**4 555**	3 568
Vehicle operating	**3 247**	2 455
Occupancy	**3 525**	2 734
Communication	**1 390**	1 322
Information technology	**608**	754
Marketing	**448**	604
Other	**563**	601
Consultancies	**453**	219
	23 997	20 854
	27 564	24 452

The total supplies and services amount disclosed includes GST amounts not-recoverable from the ATO due to the Ambulance Service not holding a valid tax invoice.

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

	2008 Number	2007 Number	**2008 $'000**	2007 $'000
Below $10 000	**29**	29	**65**	75
Between $10 000 and $50 000	**7**	5	**159**	82
Above $50 000	**3**	1	**229**	84
	39	35	**453**	241

5. Auditor's Remuneration

	2008 $'000	2007 $'000
Amounts paid and payable to the auditors for auditing this financial report	**80**	89

The auditors provided no other services.

6. Depreciation and Amortisation Expense

Buildings	**613**	585
Leasehold improvements	**236**	257
Motor vehicles	**5 770**	5 360
Medical equipment	**570**	324
Plant and equipment	**362**	175
Communication equipment	**1 014**	1 022
	8 565	7 723

7. Net Loss (Gain) from the Disposal of Non-Current Assets

Revenue from the disposal of assets - from SA Government entities	**671**	637
Revenue from the disposal of assets - from Non-SA Government entities	**221**	1 023
Less: Written-down value of disposed assets	**1 286**	1 540
Net Expense (Revenue) from Disposal of Assets	**394**	(120)

8. Other Expenses

Decrement on revaluation of non-current assets	**-**	242
Discounts with entities within the SA Government	**380**	348
Bad, doubtful debts and discounts with entities external to the SA Government	**8 107**	7 588
Workers compensation	**2 395**	2 388
	10 882	10 566

9. Ambulance Transport	2008 $'000	2007 $'000
Fees raised	**104 562**	94 277
Less: Ambulance Cover concessions	**33 414**	30 105
Pensioner concessions	**22 483**	20 756
	48 665	43 416
Fees Received/Receivable from Entities within the SA Government:		
Fees raised	**17 539**	16 217
Fees Received/Receivable from Entities external to SA Government:		
Fees raised	**87 023**	78 060
Less: Ambulance Cover concessions	**33 414**	30 105
Pensioners concessions	**22 483**	20 756
	31 126	27 199
	48 665	43 416

10. Ambulance Cover		
Ambulance Cover revenue	**17 769**	16 924
Less: Transport fee concessions	**33 414**	30 105
Direct administration costs	**1 481**	1 481
Ambulance Cover Deficit	**(17 126)**	(14 662)

11. Other Operating Revenues		
Interest	**1 752**	1 594
Bad debt recoveries	**260**	322
Donations	**172**	126
Other	**107**	107
	2 291	2 149

12. Revenues from Government		
Funding was received from the State Government for:		
Operations*	**58 771**	47 098
SA Government Radio Network**	**1 071**	1 071
Capital works	**6 206**	6 212
	66 048	54 381
Funding was received from the Federal Government for:		
Operations***	**273**	297
	273	297
	66 321	54 678

* Includes $907 000 received from the Community Emergency Services Fund ($885 000 in 2006-07).

** Includes $209 000 received from the Community Emergency Services Fund ($209 000 in 2006-07).

*** Includes $273 000 grant from the ATO to fund the additional FBT impact on the Ambulance Service as a result of the loss of PBI status. ($273 000 in 2006-07)

13. Receivables	2008 $'000	2007 $'000
Receivables	**14 519**	10 997
Less: Provision for doubtful debts and discounts	**4 994**	3 155
Prepayments	**2 843**	2 753
Accrued revenue	**1 105**	1 461
	13 473	12 056
Receivables from SA Government Entities:		
Receivables	**1 817**	1 926
Less: Provision for discounts	**35**	35
Accrued revenue	**337**	530
	2 119	2 421
Receivables from Non-SA Government Entities:		
Receivables	**12 702**	9 071
Less: Provision for doubtful debts and discounts	**4 959**	3 120
Prepayments	**2 843**	2 753
Accrued revenue	**768**	931
	11 354	9 635
	13 473	12 056
Movements in allowance for doubtful debts and discounts (impairment loss):		
Carrying amount at 1 July	**3 155**	2 889
Increase in the allowance	**8 849**	8 105
Amounts written off	**(6 750)**	(7 517)
Amounts recovered during the year	**(260)**	(322)
Carrying Amount at 30 June	**4 994**	3 155

14. Property, Plant and Equipment

	2008 $'000	2007 $'000
Land and Buildings:		
Land at fair value	**12 358**	9 219
Buildings at fair value	**16 414**	13 336
Accumulated depreciation	**(10)**	(6)
Total Buildings	**16 404**	13 330
Total Land and Buildings	**28 762**	22 549
Leasehold Improvements:		
Leasehold improvements at fair value	**6 815**	5 903
Accumulated amortisation	**(1)**	(1)
Total Leasehold Improvements	**6 814**	5 902
Motor Vehicles:		
Motor vehicles at cost (deemed fair value)	**33 797**	29 607
Accumulated depreciation	**(18 320)**	(13 919)
Total Motor Vehicles	**15 477**	15 688
Medical Equipment:		
Medical equipment at cost (deemed fair value)	**7 602**	5 811
Accumulated depreciation	**(4 497)**	(3 926)
Total Medical Equipment	**3 105**	1 885
Plant and Equipment:		
Plant and equipment at cost (deemed fair value)	**3 300**	3 073
Accumulated depreciation	**(2 240)**	(1 878)
Total Plant and Equipment	**1 060**	1 195
Communication Equipment:		
Communication equipment at fair value	**6 158**	6 105
Accumulated depreciation	**(3 720)**	(2 706)
Total Communication Equipment	**2 438**	3 399
Total Property, Plant and Equipment	**57 656**	50 618

The following tables show the movement in property, plant and equipment during 2007-08 and 2006-07.

	Land $'000	Buildings $'000	Leasehold Imprvmts $'000	Motor Vehicles $'000	Medical Equipmt $'000	Plant & Equipmt $'000	Communication Equipmt $'000	**2008 Total $'000**
Carrying amount at 1 July	9 219	13 330	5 902	15 688	1 885	1 195	3 399	**50 618**
Additions	2 037	2 722	661	6 845	1 790	227	53	**14 335**
Disposals	-	-	-	(1 286)	-	-	-	**(1 286)**
Revaluation increment	1 102	965	487	-	-	-	-	**2 554**
Revaluation decrement	-	-	-	-	-	-	-	**-**
Depreciation and amortisation	-	(613)	(236)	(5 770)	(570)	(362)	(1 014)	**(8 565)**
Carrying Amount at 30 June	12 358	16 404	6 814	15 477	3 105	1 060	2 438	**57 656**

	Land $'000	Buildings $'000	Leasehold Imprvmts $'000	Motor Vehicles $'000	Medical Equipmt $'000	Plant & Equipmt $'000	Communication Equipmt $'000	2007 Total $'000
Carrying amount at 1 July	6 607	9 227	4 798	17 865	980	964	4 254	44 695
Additions	129	5 722	403	4 701	1 229	413	182	12 779
Disposals	-	-	-	(1 518)	-	(7)	(15)	(1 540)
Revaluation increment	2 483	-	958	-	-	-	-	3 441
Revaluation decrement	-	(1 034)	-	-	-	-	-	(1 034)
Depreciation and amortisation	-	(585)	(257)	(5 360)	(324)	(175)	(1 022)	(7 723)
Carrying Amount at 30 June	9 219	13 330	5 902	15 688	1 885	1 195	3 399	50 618

Land and buildings purchased prior to 2007-08 were revalued at 30 June 2008 based upon appropriate price and value indices supplied by Liquid Pacific Holdings Pty Ltd under their Valuation Continuity Plan.

Communication equipment was revalued on a fair value basis at 30 June 2001 by Ambulance Service management.

Land at fair value includes land valued at $290 000 held on behalf of the Crown. This land is for Ambulance Services purposes and cannot be disposed of.

15. Payables

	Note	2008 $'000	2007 $'000
(a) Current:			
Trade creditors - to SA Government entities		**366**	515
Trade creditors - to non-SA Government entities		**5 927**	8 263
Employment on-costs		**1 804**	1 670
Other creditors		**199**	235
		8 296	10 683
(b) Non-Current:			
Employment on-costs		**116**	101
Total Payables		**8 412**	10 784

16. Provision for Staffing Related Entitlements

	Note	2008 $'000	2007 $'000
(a) Current:			
Accrued days off		**2 786**	2 656
Accrued salaries and wages		**724**	3 577
Annual leave		**8 085**	7 776
Long service leave		**6 815**	5 762
Superannuation - Defined benefit scheme		**518**	104
		18 928	19 875
(b) Non-Current:			
Long service leave		**1 545**	1 336
Superannuation - Defined benefit scheme		**7 382**	1 837
		8 927	3 173
Total Provision for Staffing Entitlements		**27 855**	23 048

(c) Staffing Related Entitlements and On-Cost Liabilities

	Note	2008 $'000	2007 $'000
Annual Leave:			
Included in current payables	15	**981**	938
Provision for staffing related entitlements - Current	16(a)	**8 085**	7 776
Total Liability for Current Annual Leave Entitlement		**9 066**	8 714
Accrued Days Off:			
Included in current payables	15	**310**	296
Provision for staffing related entitlements - Current	16(a)	**2 786**	2 656
Total Liability for Current Accrued Days Off Entitlement		**3 096**	2 952
Long Service Leave:			
Included in current payables	15	**513**	436
Provision for staffing related entitlements - Current	16(a)	**6 815**	5 762
Total Liability for Current Long Service Leave Entitlement		**7 328**	6 198
Included in non-current payables	15(b)	**116**	101
Provision for staffing related entitlements - Non-current	16(b)	**1 545**	1 336
Total Liability for Non-Current Long Service Leave Entitlement		**1 661**	1 437
Superannuation - Defined Benefit Scheme:			
Provision for staffing related entitlements- Current	16(a)	**518**	104
Total Liability for Current Superannuation - Defined Benefit Scheme		**518**	104
Provision for staffing related entitlements - Non-current	16(b)	**7 382**	1 837
Total Liability for Non-Current Superannuation - Defined Benefit Scheme		**7 382**	1 837

(d) Defined Benefit Superannuation Scheme

Reconciliation of the Present Value of the Defined Benefit Superannuation Obligation:

	2008 $'000	2007 $'000
Present value of defined benefit obligations at 1 July	**117 322**	97 239
Current service cost	**5 878**	5 542
Interest cost	**6 557**	5 082
Contributions from scheme participants	**4 182**	3 696
Net actuarial (gains) losses	**(9 888)**	12 149
Benefits paid	**(6 374)**	(4 957)
Taxes, premiums and expenses paid	**(2 024)**	(2 545)
Transfers in	**1 995**	1 116
Present Value of Defined Benefit Obligations at 30 June	**117 648**	117 322

(d)	***Defined Benefit Superannuation Scheme (continued)***		**2008**	2007
	Reconciliation of the Fair Value of Scheme Assets:	Note	**$'000**	$'000
	Fair value of scheme assets at 1 July		**115 381**	92 875
	Expected return on scheme assets		**8 059**	6 453
	Actuarial (losses) gains		**(19 833)**	12 035
	Contributions from the employer		**8 362**	6 708
	Contributions by scheme participants		**4 182**	3 696
	Benefits paid		**(6 374)**	(4 957)
	Taxes, premiums and expenses paid		**(2 024)**	(2 545)
	Transfers in		**1 995**	1 116
	Fair Value of Scheme Assets at 1 July		**109 748**	115 381

The amount included in the Balance Sheet arising from the Ambulance Service's obligations in respect of its defined benefit scheme is as follows:

	Note	2008	2007
Present value of defined benefit obligations		**117 648**	117 322
Fair value of scheme assets		**109 748**	115 381
Deficit		**7 900**	1 941
Net Liability Arising from Defined Benefit Obligations		**7 900**	1 941
Included in the Balance Sheet:			
Current provision for staffing related entitlements:	16(a)		
Defined benefit obligations		**518**	104
Non-current provision for staffing related entitlements:	16(b)		
Defined benefit obligations		**7 382**	1 837
Net Liability Arising from Defined Benefit Obligations		**7 900**	1 941

The percentage invested in each asset class at 30 June 2008 is as follows:	**2008**	2007
	Percent	Percent
Australian equity	**38**	38
International equity	**24**	23
Fixed income	**25**	27
Property	**10**	9
Cash	**4**	3

The fair value of scheme assets includes no amounts relating to any of the employer's own financial instruments or any property occupied by, or other assets used by, the employer. 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 to each asset 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 and investment fees. The actual return on scheme assets was a loss of $11 774 000 (gain $18 488 000). Employer contributions of $6 531 000 (excluding 3 percent award for some members) are expected to be paid to the scheme for the year ending 30 June 2009.

	2008	2007
	Percent	Percent
Principal Actuarial Assumptions used (expressed as weighted averages):	**per annum**	per annum
Discount rate (defined benefits)	**5.9**	5.3
Discount rate (accumulation balances)	**7.0**	7.0
Expected return on Scheme assets	**7.0**	7.0
Expected rate of salary increase*	**4.0**	3.5 for the next 2 years and 4.0 thereafter

* No allowance is made for agreed future salary increments, as these increments have been taken into account in the salaries used to value the defined benefit obligation at 30 June 2008.

	2008	2007	2006	2005
Historical Summary:	**$'000**	$'000	$'000	$'000
Present value of defined benefit obligation	**117 648**	117 322	97 239	85 417
Fair value of scheme assets	**109 748**	115 381	92 875	76 823
Deficit in Scheme	**7 900**	1 941	4 364	8 594
Experience adjustments loss (gain) on scheme assets	**19 833**	(12 035)	(4 717)	(4 285)
Experience adjustments (gain) loss on scheme liabilities	**(7 441)**	13 671	5 472	6 707

17. Short and Long-Term Provisions

	2008	2007
	$'000	$'000
(a) Short-term Provisions:		
Workers compensation	**1 262**	1 160
	1 262	1 160
(b) Long-term Provision:		
Workers compensation	**2 719**	2 741
	2 719	2 741

18. Movement in Reserves

	2008	2007
Asset Revaluation Reserve:		
Balance at 1 July	**9 769**	7 120
Revaluation increment	**2 312**	2 649
Balance at 30 June	**12 081**	9 769
Country Branch Reserves:		
Balance at 1 July	**1 026**	980
Transfers to retained earnings	**-**	(28)
Transfers from retained earnings	**103**	74
Balance at 30 June	**1 129**	1 026
Country Capital Reserve Fund:		
Balance at 1 July	**3 804**	4 801
Transfers to retained earnings*	**(2 712)**	(2 764)
Transfer from Country Operating Reserve Fund	**2 288**	1 767
Balance at 30 June	**3 380**	3 804
Country Operating Reserve Fund:		
Balance at 1 July	**-**	-
Transfers from retained earnings	**2 288**	1 767
Transfer to Country Capital Reserve Fund	**(2 288)**	(1 767)
Balance at 30 June	**-**	-
Total Reserves	**16 590**	14 599

* The balance of the Country Capital Reserve Fund represents the balance of funds available for the purchase of capital items. The annual cost of purchasing capital items on behalf of country branches is recognised by the Fund as a transfer to Retained Earnings. During 2006-07 capital acquisitions totalling $2.528 million were not transferred to Retained Earnings. This error in the application of accounting policy has been corrected by restating the transfer to retained earnings for 2006-07.

19. Commitments

(a) ***Lease Commitments (excludes GST)***

	2008	2007
	$'000	$'000
Operating contracted lease expenditure is payable as follows:		
Not later than one year	**442**	477
Later than one year but not later than five years	**449**	633
Later than five years	**165**	83
	1 056	1 193

The Ambulance Service has a number of operating lease arrangements for the use of properties. The major commitments are for properties at Eastwood, Ashford Hospital, Port Adelaide, Thebarton, Aldgate, Angaston and Prospect. The Ambulance Service has a number of other operating leases for the use of property. The value of these leases is immaterial.

Future operating lease commitments represent the present value of future cash outflows to be made as per the lease agreements. Terms of renewal are as mutually agreed by the Ambulance Service and the lessor.

	2008	2007
	$'000	$'000
Total rental expenditure was	**693**	566

(b) ***Capital Commitments (excludes GST)***

	2008	2007
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:		
Purchase of ambulances and vehicles within one year	**2 363**	473
Construction and fitout of buildings within one year	**-**	2 651
	2 363	3 124

(c) ***Remuneration Commitments***

	2008	2007
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	**2 661**	2 784
Later than one year but not later than five years	**3 357**	1 680
	6 018	4 464

20. Contingent Assets and Liabilities

During 2006-07 a number of operational staff developed allergic symptoms with the most probable cause being a reaction to their uniform. The 2007-08 Expenditure figures include a number of identification, prevention and rectification costs. The Ambulance Service is seeking recovery of these costs from the supplier of the uniform and/or other third parties. It is not possible at this time to establish either the likelihood or magnitude of any financial impacts from the recovery claim.

As part of the current Enterprise Bargaining Agreement a Paramedic work value/professional rates case was included as a 'reserved matter' to enable the Ambulance Employees Association to progress the matter through the Industrial Relations Commission of South Australia. The Enterprise Bargaining Agreement states that should the Industrial Relations Commission of South Australia award pay rates for Paramedics that are higher than those included in the initial Enterprise Agreement, then those outcomes will be implemented from the first pay period on or after 31 December 2006. It is not possible at this time to establish either the likelihood or magnitude of any financial impacts of the Paramedic work value/professional rates case.

21. Notes to the of Cash Flow Statement

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the Cash Flow Statement and Balance Sheet, cash and cash equivalents includes cash on hand, at bank and at call and short-term investments. It comprises:

	2008	2007
	$'000	$'000
Cash assets	**2 937**	6 722
At call and short-term deposits	**11 081**	16 675
	14 018	23 397

(b) Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services

	2008	2007
Net Cash provided by operating activities	**5 967**	12 820
Less: Revenues from SA Government	**(66 048)**	(54 381)
Add (Less): Net revenue (expense) on the sale of non-current assets	**(394)**	120
(Less) Add: Non-cash items:		
Depreciation	**(8 565)**	(7 723)
Increment (Decrement) on revaluation of non-current assets	**242**	(242)
Net Cash Provided by Operating Activities before Change in Assets and Liabilities	**(68 798)**	(49 406)
Change in Assets and Liabilities:		
Increase in receivables	**1 417**	522
Increase (Decrease) in inventory	**29**	(50)
Decrease in accrued revenue for non-current asset disposals	**-**	23
Increase (Decrease) in payables	**2 372**	(4 129)
(Decrease) Increase in non-current asset purchases	**(1 903)**	1 033
Increase in staffing entitlements	**(4 807)**	(3 474)
(Increase) Decrease in short and long-term provisions	**(80)**	44
Net Cost of Providing Services	**(71 770)**	(55 437)

22. Remuneration of Staff

The number of staff whose remuneration, inclusive of superannuation and other benefits, from the Ambulance Service fell within the following bands were:	**2008 Number of Staff**	2007 Number of Staff
$100 001 - $110 000	**105**	64
$110 001 - $120 000	**75**	41
$120 001 - $130 000	**33**	18
$130 001 - $140 000	**15**	1
$140 001 - $150 000	**5**	2
$150 001 - $160 000	**2**	-
$170 001 - $180 000	**-**	1
$180 001 - $190 000	**-**	1
$190 001 - $200 000	**2**	1
$200 001 - $210 000	**1**	-
$210 001 - $220 000	**-**	-
$230 001 - $240 000	**-**	1
$240 001 - $250 000	**1**	-
	239	130

The table above includes all staff who received remuneration of $100 000 or more during the year. Remuneration of staff reflects all costs of employment including salaries and wages, superannuation contributions, FBT (over exempt threshold) and any other salary sacrifice benefits but excludes leave entitlements on termination.

22. Remuneration of Staff (continued)

The figures comprise the following categories of staff:	**2008 Number of Staff**	2007 Number of Staff
Executive and administration	**28**	17
Operational	**211**	113
	239	130

	2008 $'000	2007 $'000
Total remuneration received, or due and receivable, from the Ambulance Service by the staff whose remuneration exceeded $100 000 was:	**27 484**	14 766

23. Remuneration of Board and Committee Members

Members that were entitled to receive remuneration for membership during the financial year ended 30 June 2008 were:

SA Ambulance Service Board
Ms R Pak-Poy (Chair)
Ms A Alford *
Dr S Cole
Dr W Griggs *
Mr C Howie *
Mr P Palmer
Mr M Scott
Mr J Treloar
Mr G Tattersall* (Appointed 1 July 2007)
Ms K Hefferan (Appointed 15 October 2007)

Finance and Audit Committee
Ms R Pak-Poy (Chair)
Ms A Alford *
Mr G Tattersall* (Appointed 20 August 2007)
Ms C King (resigned 30 June 2007 and reappointed as independent member from 20 August 2007)

All members of the Board and the Finance and Audit Committee ceased on 30 June 2008.

The number of members whose remuneration received or receivable falls within the following bands was:	**2008 Number of Members**	2007 Number of Members
$0	**3**	2
$1 - $9 999	**6**	8
$10 000 - $19 999	**2**	3
Total Number of Members	**11**	13

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 $75 000 ($79 000).

Amounts paid to a superannuation plan for board/committee members was $7000 ($8000).

* In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year except Mr C Howie who was granted exemption by the Minister due to the nature of his employment.

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. Financial Instruments/Financial Risk Management

Categorisation of Financial Instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset and financial liability are disclosed in Note 1 'Summary of Significant Accounting Policies'. The carrying amount of financial assets and liabilities equates to fair value.

Credit Risk

The Ambulance Service has no significant concentration of credit risk because it provides its services to a large number of users and charges to individuals are of low value.

The Ambulance Service provides Ambulance Transport services based on clinical need. Consequently the Ambulance Service is exposed to credit risk in regard to patients who are unable to pay. The Ambulance Service does not engage in high risk hedging for its financial assets.

Maximum Exposure to Credit Risk	**2008**	2007
Financial assets and other credit risk exposure:	**$'000**	$'000
Patient Transport Debtors	**7 743**	5 951
Other	**768**	931
	8 511	6 882

Maximum Exposure to Credit Risk (continued)
The carrying amount of financial assets above (net of any allowances for losses) represents the Ambulance Service's maximum exposure to credit risk.

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

The following table discloses the ageing of financial assets, past due, including impaired assets past due.

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**
2008				
Not Impaired:	**$'000**	**$'000**	**$'000**	**$'000**
Receivables	**7 161**	**2 377**	**30**	**9 568**
Other financial assets	**3 948**	**-**	**-**	**3 948**
Impaired:				
Receivables	**219**	**295**	**4 437**	**4 951**
2007				
Not Impaired:				
Receivables	5 833	1 915	15	7 763
Other financial assets	4 214	-	-	4 214
Impaired:				
Receivables	229	257	2 748	3 234

All financial assets and liabilities mature within one year.

Liquidity Risk
The Ambulance Service has implemented financial management practices including budget setting and monitoring arrangements to provide assurance that cash flows from operations, including funding from the SA Government, are sufficient to meet predicted cash outflows. Experience indicates cash flows from the Ambulance Service's operations, including revenue and expenses, are predictable. The continued existence of the Ambulance Service is dependent on State Government policy and on continuing appropriations by Parliament for the Ambulance Service's administration and programs. The Ambulance 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 Ambulance Service's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market Risk
Market risk for the Ambulance Service is primarily through interest rate risk. As the Ambulance Service does not have any interest bearing liabilities or borrowings the Ambulance Service has no material market risk exposure. 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 Ambulance Service as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

25. Events After Balance Date

On 1 July 2008 and in accordance with Schedule 4 of the *Health Care Act 2008* (the HC Act) the SA Ambulance Service Incorporated (Ambulance Service) ceased to be an association under the *Associations Incorporations Act 1985*. The HC Act provides for the continued existence of the Ambulance Service as a body corporate constituted under the HC Act.

On 1 July 2008 the *Ambulance Services Act 1992* was repealed. From this date the Ambulance Service is governed by the requirements of the HC Act.

Effective from 1 July 2008 the Chief Executive of the Department of Health is responsible for the administration of the Ambulance Service.

The HC Act provides for the establishment of local Health Advisory Councils as incorporated or unincorporated advisory bodies advising the Minister on health issues related to specific groups or regions. The SAAS Volunteer Health Advisory Council was established on 1 July 2008 as an unincorporated advisory body to advise the Minister on matters impacting Ambulance Service volunteers.

SOUTH AUSTRALIA POLICE

FUNCTIONAL RESPONSIBILITY

Establishment

The South Australia Police (SAPOL) is an administrative unit established under the PSM Act. SAPOL is responsible to the Minister for Police.

Functions

The functions of SAPOL are to:

- uphold the law
- preserve the peace
- prevent crime
- assist the public in emergency situations
- coordinate and manage responses to emergencies
- regulate road use and prevent vehicle collisions

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Assessment of Controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by SAPOL 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 those controls are consistent with the prescribed elements of the FMF as required by TI 2.

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 2007-08, areas of review included:

- compliance with the FMF
- financial accounting
- payroll and workers compensation
- accounts payable
- procurement and contract management
- property management system
- firearms systems and fees charged
- expiation revenue

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the South Australia Police as at 30 June 2008, and 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 (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the South Australia Police 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 workers compensation as outlined under 'Communication of Audit Matters' are sufficient to provide reasonable assurance that the financial transactions of the South Australia Police have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in a management letter to the Commissioner of Police. The reply to the management letter was generally considered to be satisfactory. The following provides a summary of the matters raised and responses to the audit findings.

Workers Compensation

A review of the management of workers compensation claims revealed a number of control issues:

- Financial delegations documented in the claim management system (IDEAS) were not consistent with the delegations approved by the Commissioner of Police.
- The injury management section work instructions contained financial authorisations that were lower than the authorisations approved by the Commissioner of Police.
- A number of invoices were paid without any evidence of appropriate approval.
- No overall control in place to ensure that all workers compensation payments made are checked and input into IDEAS.
- A reconciliation was not being performed between the payroll system and IDEAS.

In response, SAPOL advised that it has amended delegations and authorisations for consistency with the Commissioner's delegations, has addressed the payment approval process, and the reconciliation matter is to be reviewed as part of the implementation of the new system to replace IDEAS in early 2008-09.

Financial Accounting

The audit identified the need for management to ensure that manual journal processing was performed by authorised employees and that access to the accounts payable system was removed when staff changes occurred.

SAPOL responded that it has reinforced existing controls and introduced new controls to monitor and restrict access to the system.

Payroll

Audit identified a need to ensure officers submitted leave forms on a timely basis and that officers certifying timesheets and leave forms had the appropriate delegation.

SAPOL responded that it will implement a further control for leave forms and will reiterate current controls over checking of timesheets.

Procurement and Contract Management

The audit identified the need for management to ensure that:

- information provided on the SA Tendering and Contracts website is correct
- all information on the contracts database is correct and up to date.

SAPOL responded that it has implemented an audit program to verify the accuracy of the database information and introduced a checklist which includes the requirement to update the website.

Property Management System

The audit identified that there are opportunities for improving controls to ensure that property temporarily transferred is monitored and that revenue is received for all property sent to auction.

SAPOL accepted the findings and indicated it will implement revised procedures to address the control issues.

Firearms Licences

The audit identified a need to develop an instrument of delegation for firearm licence approvals. Further, there was scope to improve the follow-up of expired firearms licences and firearms purchased for which there was no licence application.

SAPOL indicated that it is developing an instrument of delegation and is reviewing procedures for follow-up of firearms licences.

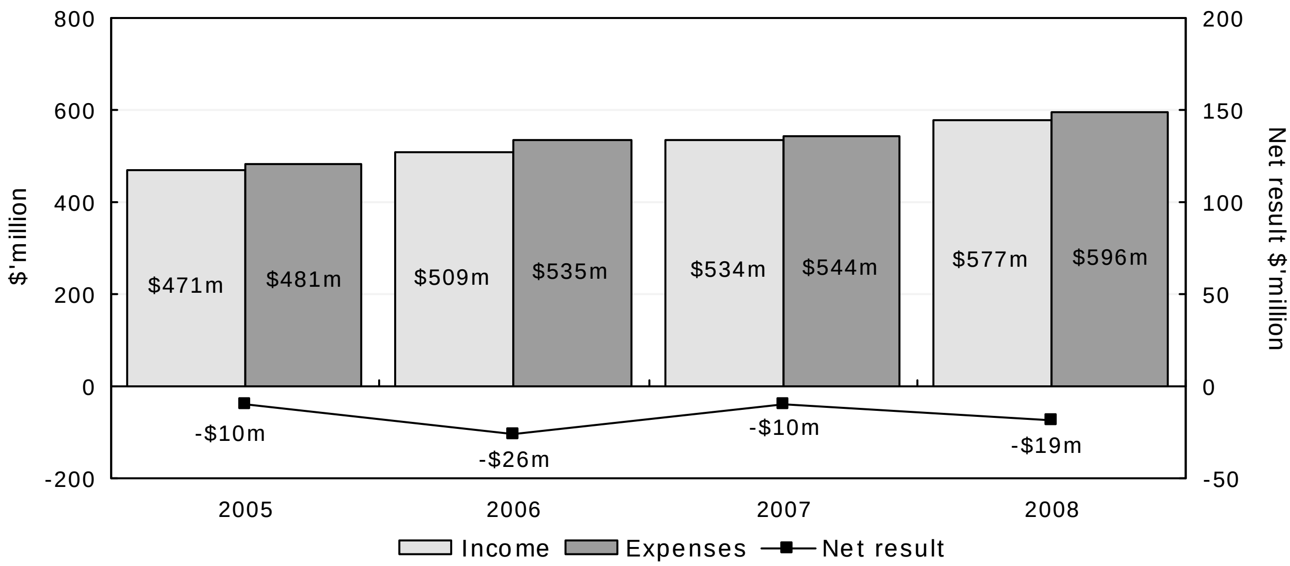
INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008 $'million	2007 $'million	Percentage Change
EXPENSES			
Employee benefit expenses	**474**	430	10
Supplies and services	**107**	100	7
Other expenses	**15**	14	7
Total Expenses	**596**	544	10
INCOME			
Revenue from fees and charges	**17**	16	6
Other revenue	**9**	9	-
Total Income	**26**	25	4
NET COST OF PROVIDING SERVICES	**570**	519	10
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT			
Revenues from SA Government	**553**	509	9
Payments to SA Government	**(2)**	-	-
Net Result	**(19)**	(10)	90
NET CASH FROM OPERATING ACTIVITIES	**22**	20	10
ASSETS			
Current assets	**62**	51	22
Non-current assets	**242**	180	34
Total Assets	**304**	231	32
LIABILITIES			
Current liabilities	**76**	65	17
Non-current liabilities	**180**	163	10
Total Liabilities	**256**	228	12
EQUITY	**48**	3	-

Income Statement

The following chart shows the income, expenses and net result for the four years to 2008.



Net Result

The net result was a deficit of $19 million representing a $9 million increase in the deficit recorded in 2007. That deficit increase reflects increases in employee related costs and other costs.

Income

SAPOL receives government funding based on annual budgeted expenditure, less estimated revenues from fees and charges and other sources. Net revenues from the State Government increased by $42 million (8 percent) to $551 million.

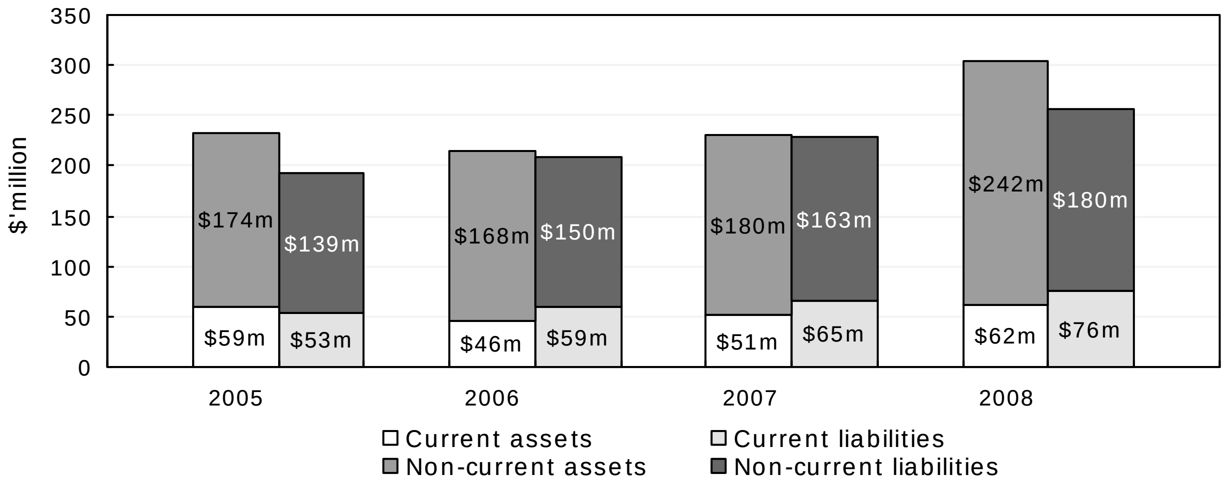
Expenses

Employee benefit expenses increased by $44 million or 10 percent to $474 million due largely to the impact of increases associated with the Enterprise Bargaining Agreement for police officers.

Supplies and services increased by $7 million to $107 million due mainly to increases in computing expenses, and accommodation and property related expenses.

Balance Sheet

For the four years to 2008, a structural analysis of assets and liabilities is shown in the following chart.



Assets

Current assets increased by $11 million to $62 million during 2008 due to an increase in cash and cash equivalents.

SAPOL's non-current assets have increased by $62 million to $242 million. The increase in 2008 was primarily the result of an increase in property, plant and equipment of $61 million due to a $64 million gain on revaluation of land, buildings and leasehold improvements.

Liabilities

Non-current liabilities have increased each year due mainly to increases in employee benefit liabilities and the provision for workers compensation. The increase in employee benefit entitlements, consistent with the increase in employee expenses, results mainly from the impact of the implementation of the Enterprise Bargaining Agreement for police officers.

Employee Benefits and Workers Compensation

Employee benefits, related on-costs and workers compensation liabilities total $249 million and represent 97 percent (97 percent) of total liabilities. At June 2008, the workers compensation liability of $76 million ($67 million) represented 30 percent (29 percent) of total liabilities of $256 million ($228 million).

The significance of employee related liabilities compared to total liabilities is shown in the following chart.

Cash Flow Statement

The following table summarises the net cash flows for the four years to 2008.

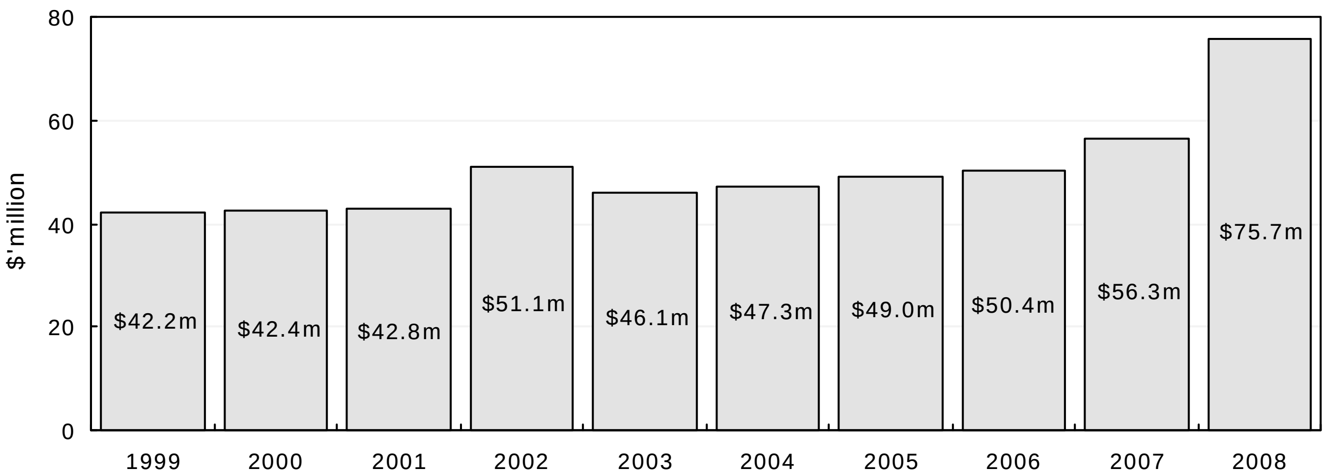
	2008 $'million	2007 $'million	2006 $'million	2005 $'million
Net Cash Flows				
Operating Activities	**22**	20	4	29
Investing Activities	**(12)**	(15)	(9)	(10)
Financing Activities	**-**	-	(6)	(19)
Change in Cash	**10**	5	(11)	-
Cash at 30 June	**54**	44	39	49

The table shows that significant cash funds have been held over the past four years.

Administered Items

Expiation Fees

Expiation fees are collected by SAPOL on behalf of the Government. SAPOL treats the collected expiation revenue pursuant to the requirements of the *Expiation of Offences Act 1996* and pays them to the Consolidated Account. The following chart, shows the expiation fees payable which increased by $19.3 million during 2007-08 to $75.7 million.



SAPOL has in previous years identified a range of factors which have contributed to variations in the level of expiation fee revenue year to year. SAPOL's reasons include changes in:

- legislation (eg the introduction of the 50 km/hr speed zone in metropolitan areas)
- the number and type of speed detection devices
- driver behaviour in response to road safety strategies.

For 2008, the increase in expiation fees collected was due mainly to additional fixed road safety cameras and other road safety initiatives which resulted in increased detection rates from road safety cameras and speed detection devices.

Income Statement
for the year ended 30 June 2008

	Note	**2008**	2007
EXPENSES:		**$'000**	$'000
Employee benefit expenses	6	**474 055**	430 293
Supplies and services	7	**106 679**	99 688
Depreciation and amortisation expense	8	**15 026**	14 292
Total Expenses		**595 760**	544 273
INCOME:			
Revenue from fees and charges	10	**16 777**	16 040
Interest revenues	11	**12**	25
Commonwealth revenue	12	**1 913**	1 247
Net loss from disposal of assets	13	**(87)**	(427)
Other revenue	14	**7 153**	8 645
Total Income		**25 768**	25 530
NET COST OF PROVIDING SERVICES		**569 992**	518 743
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	15	**500 089**	456 479
Contributions from the Community Emergency Services Fund	15	**17 564**	17 152
Contributions from Community Road Safety Fund	15	**34 700**	34 700
Intra-government transfers	15	**322**	702
Payments to SA Government	15	**(1 834)**	-
Net Revenues from SA Government		**550 841**	509 033
NET RESULT		**(19 151)**	(9 710)

Net result is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2008

	Note	2008 $'000	2007 $'000
CURRENT ASSETS:			
Cash and cash equivalents	16	**53 542**	43 521
Receivables	17	**7 376**	6 252
Inventories		**344**	131
		61 262	49 904
Non-current assets classified as held-for-sale	18	**286**	812
Total Current Assets		**61 548**	50 716
NON-CURRENT ASSETS:			
Property, plant and equipment	19	**227 617**	166 850
Capital works in progress		**3 764**	3 180
Intangible assets	20	**10 546**	9 782
Receivables	17	**615**	689
Total Non-Current Assets		**242 542**	180 501
Total Assets		**304 090**	231 217
CURRENT LIABILITIES:			
Payables	21	**15 056**	12 639
Employee benefits	22	**47 458**	40 427
Short-term provisions	23	**14 125**	11 605
Total Current Liabilities		**76 639**	64 671
NON-CURRENT LIABILITIES:			
Payables	21	**14 616**	13 955
Long-term employee benefits	22	**102 930**	93 971
Long-term provisions	23	**62 235**	55 527
Total Non-Current Liabilities		**179 781**	163 453
Total Liabilities		**256 420**	228 124
NET ASSETS		**47 670**	3 093
EQUITY:			
Retained earnings	24	**(37 935)**	(18 784)
Asset revaluation reserve	24	**85 605**	21 877
TOTAL EQUITY		**47 670**	3 093

Total equity is attributable to the SA Government as owner

	Note
Commitments	26
Contingent liabilities	27

Statement of Changes in Equity
for the year ended 30 June 2008

	Note	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2006		21 877	(14 143)	7 734
Changes in accounting policies and error corrections		-	(2 714)	(2 714)
Restated Balance at 30 June 2006		21 877	(16 857)	5 020
Net result for 2006-07	4.2	-	(9 710)	(9 710)
Total Recognised Income and Expense for 2006-07		-	(9 710)	(9 710)
Balance at 30 June 2007		21 877	(26 567)	(4 690)
Changes in accounting policy	4.2	-	7 783	7 783
Restated balance at 30 June 2007	24	21 877	(18 784)	3 093
Gain on revaluation of plant, property and equipment during 2007-08	19	63 728	-	63 728
Net result for 2007-08		-	(19 151)	(19 151)
Total Recognised Income and Expense for 2007-08		63 728	(19 151)	44 577
Balance at 30 June 2008	24	**85 605**	**(37 935)**	**47 670**

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

Cash Flow Statement
for the year ended 30 June 2008

		2008	2007
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
CASH OUTFLOWS:			
Employee benefit payments		**(447 208)**	(410 269)
Supplies and services		**(106 527)**	(99 170)
GST payments on purchases		**(10 692)**	(10 958)
Cash used in Operations		**(564 427)**	(520 397)
CASH INFLOWS:			
Fees and charges		**15 877**	16 117
Interest received		**12**	183
GST receipts from ATO		**2 271**	2 186
GST input tax credits		**8 505**	8 998
Other receipts		**9 002**	3 956
Cash generated from Operations		**35 667**	31 440
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**552 675**	508 973
Payments to SA Government		**(1 834)**	-
Cash generated from SA Government		**550 841**	508 973
Net Cash provided by Operating Activities	29	**22 081**	20 016
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(13 675)**	(15 506)
Cash used in Investing Activities		**(13 675)**	(15 506)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		**1 615**	363
Cash generated from Investing Activities		**1 615**	363
Net Cash used in Investing Activities		**(12 060)**	(15 143)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**10 021**	4 873
CASH AND CASH EQUIVALENTS AT 1 JULY		**43 521**	38 648
CASH AND CASH EQUIVALENTS AT 30 JUNE	16	**53 542**	43 521

Program Schedule of Income and Expenses for the year ended 30 June 2008

(Refer Note 5)	Program 1 Public Order		Program 2 Crime Prevention		Program 3 Road Safety	
	2008	2007	**2008**	2007	**2008**	2007
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**161 037**	148 605	**167 191**	149 002	**57 398**	50 507
Supplies and services	**35 406**	34 130	**36 439**	33 850	**14 412**	12 692
Depreciation and amortisation expense	**5 119**	4 853	**4 392**	4 484	**2 379**	2 141
Total Expenses	**201 562**	187 588	**208 022**	187 336	**74 189**	65 340
INCOME:						
Revenue from fees and charges	**11 851**	12 384	**898**	602	**2 954**	2 521
Interest revenues	**4**	10	**4**	9	**2**	3
Commonwealth revenues	**692**	465	**715**	459	**255**	160
Net loss from disposal of assets	**(32)**	(163)	**(29)**	(146)	**(16)**	(70)
Other revenue	**2 604**	3 209	**2 636**	3 137	**988**	1 203
Total Income	**15 119**	15 905	**4 224**	4 061	**4 183**	3 817
Net Cost of Providing Services	**186 443**	171 683	**203 798**	183 275	**70 006**	61 523
Revenues from SA Government	**180 630**	168 341	**197 795**	179 981	**67 864**	60 315
Payments to SA Government	**(621)**	-	**(640)**	-	**(228)**	-
NET REVENUES FROM SA GOVERNMENT	**180 009**	168 341	**197 155**	179 981	**67 636**	60 315
NET RESULT	**(6 434)**	(3 342)	**(6 643)**	(3 294)	**(2 370)**	(1 208)

(Refer Note 5)	Program 4 Emergency Response and Management		Program 5 Criminal Justice Services		Program Total	
	2008	2007	**2008**	2007	**2008**	2007
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**28 620**	27 759	**59 809**	54 420	**474 055**	430 293
Supplies and services	**8 728**	8 203	**11 694**	10 813	**106 679**	99 688
Depreciation and amortisation expense	**1 603**	1 330	**1 533**	1 484	**15 026**	14 292
Total Expenses	**38 951**	37 292	**73 036**	66 717	**595 760**	544 273
INCOME:						
Revenue from fees and charges	**-**	-	**1 074**	533	**16 777**	16 040
Interest revenues	**-**	-	**2**	3	**12**	25
Commonwealth revenues	**-**	-	**251**	163	**1 913**	1 247
Net loss from disposal of assets	**-**	-	**(10)**	(48)	**(87)**	(427)
Other revenue	**-**	-	**925**	1 096	**7 153**	8 645
Total Income	**-**	-	**2 242**	1 747	**25 768**	25 530
Net Cost of Providing Services	**38 951**	37 292	**70 794**	64 970	**569 992**	518 743
Revenues from SA Government	**37 699**	36 604	**68 687**	63 792	**552 675**	509 033
Payments to SA Government	**(120)**	-	**(225)**	-	**(1 834)**	-
NET REVENUES FROM SA GOVERNMENT	**37 579**	36 604	**68 462**	63 792	**550 841**	509 033
NET RESULT	**(1 372)**	(688)	**(2 332)**	(1 178)	**(19 151)**	(9 710)

A Program Schedule of SA Police assets and liabilities has not been produced as that information is not readily available.

As there has been no material change in the work activity survey (over the past three years), the February 2006 work activity survey has been used in 2007-08 as a basis for allocating costs to programs.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of South Australia Police

The South Australia Police (SAPOL) operates within the *Police Act 1998*, the Police Regulations 1999, and the PSM Act.

The mission statement of SAPOL, as set out in the Corporate Business Plan 2007 – 2008, is 'working together to reassure and protect the community from crime and disorder.' This mission statement is reflected in the following core functions:

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

2. Summary of Significant Accounting Policies

2.1 Statement of Compliance

The financial report is a general purpose financial report. The accounts have been prepared in accordance with:

- TIs and APSs promulgated under the provisions of the PFAA;
- applicable AASs;
- other mandatory professional reporting requirements in Australia.

AASs include AIFRS and AAS 29. Except for the amendments to AASB 101, which SAPOL has early-adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by SAPOL for the reporting period ending 30 June 2008. (Refer to Note 4.)

2.2 Basis of Preparation

The preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying SAPOL'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, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies;

  (b) expenses incurred as a result of engaging consultants;

  (c) employees whose normal remuneration is $100 000 or more (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees;

  (d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

SAPOL's Income Statement, Balance Sheet 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 Cash Flow Statement has been prepared as a cash basis.

The financial report has been prepared on a 12 month operating cycle and is presented in Australian currency.

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

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2008 and the comparative information presented for the year ended 30 June 2007.

2.3 Reporting Entity

The South Australia Police Department produces both Departmental and Administered financial statements. SAPOL's financial report details the income, expenses, assets and liabilities, controlled or incurred by SAPOL in its own right. The Administered financial report details the income, expenses, assets and liabilities which SAPOL administers on behalf of the SA Government but does not control.

SAPOL's principal source of funds consists of monies appropriated by Parliament.

2.4 Administered Resources

SAPOL administers on behalf of the Government of South Australia certain resources over which it does not have control. Although accountable for the transactions relating to these administered resources, SAPOL does not have the control or discretion to apply these resources to achieve its objectives.

Transactions and balances relating to these administered resources are not recognised as SAPOL's income, expenses, assets or liabilities, but are disclosed in a separate financial report.

Refer to Notes to the Administered Items Statements for further details.

2.5 Comparative Figures

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or AAS have required a change.

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

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

2.6 Rounding

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

2.7 Taxation

SAPOL is not subject to income tax. SAPOL is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

SAPOL ceased making tax equivalent payments as of 1 July 2006.

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

2.8 Accounting for GST

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

- the amount of GST incurred by SAPOL as a purchaser that is not recoverable from the ATO is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- receivables and payables are stated with the amount of GST included.

The net GST receivable/payable to the ATO has been recognised as a receivable/payable in the Balance Sheet.

Cash flows are reported on a gross basis in the Cash Flow Statement. The GST component of cash flows arising from investing activities, which are recoverable from, or payable to, the ATO have however been classified as operating cash flows.

GST receivables/payables associated with Administered Items transactions are included in the SAPOL statements.

2.9 Income and Expenses

Income and expenses are recognised in SAPOL's Income Statement when and only when 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 in accordance with APF II APS 3.5 and have not been offset unless required or permitted by a specific Accounting Standard.

In accordance with APF II APSs 4.1 and 4.2 the Notes to the financial reports disclose revenues and expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Income

The following are specific recognition criteria.

Fees and Charges

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

Fees and charges controlled by SAPOL are recognised as revenues. Fees and charges are deemed to be controlled where they can be deployed for the achievement of SAPOL objectives. Such amounts are not required to be paid to the Consolidated Account or other Funds not controlled by SAPOL.

Fees and charges collected by SAPOL but not controlled by it are not recognised as revenues, but are reported as administered revenues in the Administered Items financial report. Such amounts are required to be paid to the Consolidated Account or other Funds not controlled by SAPOL.

Contributions Received

Contributions are recognised as an asset and income when SAPOL obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources are probable).

Generally SAPOL has obtained control or the right to receive for:

- contributions with unconditional stipulations – this will be when the agreement becomes enforceable ie the earlier of when SAPOL has formally been advised that the contribution (eg grant application) has been approved; agreement/contract is executed; and/or the contribution is received;
- contributions with specific stipulations – this will be when the enforceable stipulations specified in the agreement occur or are satisfied; that is income would be recognised for the contributions received or receivable under the agreement.

All contributions received by SAPOL have been contributions with unconditional stipulations attached and have been recognised as an asset and income on receipt.

Resources Received Free of Charge

Resources received free of charge are recorded as revenue and expenditure in the Income Statement at their fair value in accordance with the APF III APS 2.12.

Disposal of Non-Current Assets

Income for the disposal of non-current assets is recognised when control of the asset has passed to the buyer and determined by the comparing proceeds with the carrying amount. When revalued assets are sold the revaluation increments are transferred to retained earnings in accordance with APF III APS 3.11

Any gain/loss on disposal is recognised at the date of control of the asset passed to the buyer and is determined after the deduction from proceeds of the asset at that time.

Revenues from SA Government

Appropriations for program funding are recognised as revenue when SAPOL obtains control over the funding. Control over appropriations is normally obtained upon their receipt and are accounted for in accordance with TIs 3 Appropriation.

Other Income

Other income consists of donations, recoveries of employee benefits (ie where employees are seconded to Commonwealth programs where SAPOL continues to provide the ongoing salary for the employees) and goods and services (ie where SAPOL incurs expenditure on goods and services and later recovers the expenditure).

Expenses

The following are specific recognition criteria.

Employee Benefits

Employee benefit expenses include all costs related to employment including wages and salaries and leave entitlements. These are recognised where incurred.

Superannuation

The amount charged to the Income Statement represents contributions made by SAPOL to the superannuation plan in respect of current services of current departmental staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government general purpose financial report.

Payments to the SA Government

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy and tax equivalent payments. Expiation fees received on behalf of the government, are an Administered Item, and paid directly to the Department of Treasury and Finance Consolidated Account.

2.10 Current and Non-Current Classification

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

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

2.11 Cash and Cash Equivalents

For the purposes of the Cash Flow Statement cash includes 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. Administered cash is shown in Administered Items financial schedules. Cash is measured at nominal value.

2.12 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 agencies and to the public. Trade receivables are generally payable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public.

SAPOL determines the provision for doubtful debts based on a review of balances within trade receivables that are unlikely to be collected. These are generally receivables that are 90 days or more overdue.

2.13 Inventories

SAPOL holds inventories, generally for internal distribution. Inventories held for distribution are measured at lower of cost and replacement value.

Inventories include stationery, capsicum sprays and police horses.

2.14 Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet.

SAPOL capitalises all non-current physical assets with a value of $10 000 or greater in accordance with APF III APSs 2.15 and 7.2. All other plant and equipment purchases are expensed in the year of purchase.

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. During 2007-08 SAPOL recognised Government Radio Network (GRN) equipment as a complex asset for the first time. During 2006-07 SAPOL recognised Mobile Data Terminals as a complex asset for the first time.

2.15 Revaluation of Non-Current Assets

In accordance with APF III:

- all non-current physical assets are valued at written down current cost (a proxy for the fair value method of valuation);
- 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.

The Balance Sheet includes all property, plant and equipment controlled by SAPOL.

The last revaluation of land and buildings, and leasehold improvements controlled by SAPOL was as at 30 June 2008, following an independent valuation prepared by Valcorp Australia Pty Limited using the fair value methodology. Other non-current assets have been valued at their written down historic cost.

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 physical 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 Asset Revaluation Reserve, except to the extent that it reverses a revaluation decrease for the same asset class previously recognised in the Income Statement.

Any revaluation decrease is recognised in the Income Statement, except to the extent that it offset a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the Asset Revaluation Reserve to the extent of the credit balance existing in the 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 reserve relating to that asset is transferred to retained earnings.

2.16 Impairment

All significant 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 Asset Revaluation Reserve.

Impairment is generally limited to where an asset's depreciation is materially understated or where the replacement cost is falling.

2.17 Non-Current Assets (or Disposal Groups) Held-for-Sale

Non-current assets (or disposal groups) held-for-sale are classified as held for sale and stated at the lower of their carrying amount and fair values less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from other assets in the Balance Sheet.

2.18 Depreciation and Amortisation of Non-Current Assets

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

The residual values, useful lives and amortisation methods of all major assets held by SAPOL are reviewed and adjusted if appropriate on an annual basis.

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

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

Land and assets held for sale are not depreciated.

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each depreciable non-current asset over its expected useful life as follows:

Class of Asset	*Depreciation/Amortisation Method*	*Useful Life (Years)*
Buildings	Straight Line	15 - 60
Vehicles and transport vessels	Straight Line	3 - 10
Computers and communications	Straight Line	3 - 7
Other	Straight Line	5 - 10
Leasehold improvements	Straight Line	Life of lease
Intangibles	Straight Line	3 - 7

2.19 Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost.

The acquisition of or internal development of software is capitalised only 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 $10 000, in accordance with APF III APS 2.15.

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

Generally any subsequent expenditure by SAPOL on intangible assets, such as the replacement of parts or additions to the assets, will be expensed as the expected future economic benefits will only be maintained.

2.20 Payables

Payables include creditors, accrued expenses and employment on-costs.

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

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 in accordance with TI 11 after SAPOL receives an invoice.

2.20 Payables (continued)

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

SAPOL 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 the Police Superannuation Board and the South Australian Superannuation Board and externally managed superannuation schemes have assumed these. The only liability outstanding at balance date relates to any contributions due but not yet paid to Police Superannuation Board and South Australian Superannuation Board.

2.21 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.

Salary and Wages

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

Annual Leave

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

Long Service Leave

A provision is raised at the end of the reporting period to reflect employee entitlements to long service leave. The provision for long service leave represents the amount which SAPOL has a present obligation to pay resulting from employees' services provided up to the reporting date.

The provision has been calculated at nominal amounts based on current salaries and wages rates using an independent actuarial assessment benchmark of 9 years (9.1 years) service as a short-hand estimation of long service leave liability. The Department of Treasury and Finance provided the actuarial benchmark. Related on-costs of payroll tax and superannuation are shown under Payables employment on-costs. (Refer to Note 21.) This policy is consistent with the requirements of AASB 119.

Sick Leave

No provision has been made for sick leave as entitlements are non-vesting and it is considered that sick leave is taken from the current year's entitlement.

Employee Benefit On-costs

Employee benefit on-costs (payroll tax, WorkCover and superannuation) are recognised separately under payables.

2.22 Provisions

Provisions are recognised when SAPOL has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

Workers Compensation

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision, which was based on an actuarial assessment, was provided by the Public Sector Workforce Division of the Department of the Premier and Cabinet.

The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. (Refer to Note 23.)

Where SAPOL 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 the provision is presented in the Income Statement net of any reimbursement.

Civil Actions against Police

A liability has been reported to reflect unsettled actions against SA Police.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2.23 Leases

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

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

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

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

For accounting purposes the lease is an operating lease.

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

Lease expenditure related to the facilities occupied by SAPOL is recognised in the SAPOL Statements. Lease expenditure and the associated revenue related to the facilities occupied by CAA is recognised in the Administered Items Statements.

2.24 Professional Indemnity and General Public Liability Insurance

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

3. Financial Risk Management

SAPOL has significant non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables). SAPOL's exposure to market risk and cash flow interest risk is minimal.

SAPOL has no significant concentration of credit risk. SAPOL has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

4. Changes in Accounting Policies and Prior Period Adjustment

4.1 Changes in Accounting Policies

The AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by SAPOL for the reporting period ending 30 June 2008. SAPOL has assessed the impact of the new and amended Standards and Interpretations and considers there will be no impact on accounting policies or the financial report of SAPOL.

GRN Equipment
GRN equipment purchased during 2006-07 and previous years, had been expensed on purchase. From 2007-08 this equipment will be capitalised as composite assets in line with Department of Treasury and Finance advice. This accounting policy change will be applied retrospectively, which will result in an adjustment for 2006-07 and prior years. (Refer to Note 4.2.)

4.2 Prior Period Adjustments

This adjustment has an effect on the Income Statement and Balance Sheet for 2006-07 as stated below:

	2007 Published Result $'000	Total Correction $'000	2007 Revised Result $'000
Income Statement			
Expenses:			
Supplies and services	(101 248)	1 560	(99 688)
Depreciation and amortisation	(12 405)	(1 887)	(14 292)
Total Expense	(543 946)	(327)	(544 273)
Net Cost of Providing Services	518 416	327	518 743
Net Result	(9 383)	(327)	(9 710)
Balance Sheet			
Non-Current Assets:			
Property, plant and equipment	159 394	7 456	166 850
Total Non-Current Assets	173 045	7 456	180 501
Total Assets	223 935	7 456	231 391
Net Assets	(4 363)	7 456	3 093
Retained earnings	(26 240)	7 456	(18 784)
Total Equity	(4 363)	7 456	3 093

Reconciliation of Retained Earnings	
Total Change in Accounting Policy	7 783
Adjusted Against 2007 Published Result	(327)
Net Adjustment to Retained Earnings	7 456

Revised values are presented as comparatives throughout the financial statements, including the Notes to the Statements.

5. Programs of SAPOL

SAPOL has identified five programs that it delivers to the community and the Minister for Police. The identity and description of each SAPOL program during the year ended 30 June is summarised below. Financial information relating to each Program is reported in the Program Schedule of SAPOL's Expenses and Income.

Program 1 - Public Order

In support of South Australia's Strategic Plan Objective 2: 'Improving Wellbeing', provision of police services to the community, the investigation and management of public order offences and the management of major events in the state. The outcome is a community that is reassured and protected from crime and disorder, making South Australia a safe place to live, visit and conduct business.

Program 2 - Crime Prevention

In support of South Australia's Strategic Plan Objective 2: 'Improving Wellbeing', the provision of crime prevention services through the investigation and management of crimes against the person and property and illegal drug activity together with community programs and education. The outcome is that the incidence and effects of crime are reduced, making South Australia a safe place to live, visit and conduct business.

Program 3 - Road Safety

In support of South Australia's Strategic Plan Objective 2: 'Improving Wellbeing', provision of road safety services such as the regulation of road use, road use education and vehicle collision prevention. The outcomes contribute to a reduced road toll of fatalities and serious injuries, improved road safety and efficient traffic movement. This provides personal and economic benefits to the community, making South Australia a safe place to live, visit and conduct business.

Program 4 - Emergency Response and Management

In support of South Australia's Strategic Plan Objective 2: 'Improving Wellbeing', provision of rapid and effective management and response services to reduce the incidence and effects of emergencies, thereby maximising the capacity to receive and manage calls for assistance. The outcome is that the effects on individuals and the community from emergency and disaster situations are minimised, making South Australia a safe place to live, visit and conduct business.

Program 5 - Criminal Justice Services

In support of South Australia's Strategic Plan Objective 2: 'Improving Wellbeing', provision of services that promote public confidence in the judicial system through the enforcement of court orders and execution of warrants, prosecution services, and the safekeeping and supervision of persons in police custody. The outcome is an efficient, effective, safe and fair support service to the judicial system, making South Australia a safe place to live, visit and conduct business.

6. Employee Benefit Expenses

	Note	**2008**	2007
		$'000	$'000
Salaries and wages		**314 032**	285 246
Long service leave		**19 130**	15 810
Annual leave		**40 780**	37 549
Employee on-costs - Superannuation		**51 952**	48 110
Employee on-costs - Other		**22 080**	21 020
Other employee benefit costs		**706**	713
Workers compensation	23	**25 375**	21 845
Total Employee Benefit Expenses		**474 055**	430 293

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:	**2008 Number of Employees**	2007 Number of Employees
$100 000 - $109 999	**524**	267
$110 000 - $119 999	**248**	101
$120 000 - $129 999	**107**	37
$130 000 - $139 999	**31**	14
$140 000 - $149 999	**11**	5
$150 000 - $159 999	**3**	1
$160 000 - $169 999	**2**	3
$170 000 - $179 999	**-**	1
$180 000 - $189 999	**2**	3
$190 000 - $199 999	**5**	-
$200 000 - $209 999	**2**	5
$210 000 - $219 999	**1**	-
$220 000 - $229 999	**-**	1
$300 000 - $309 999	**-**	1
$310 000 - $319 999	**2**	-
$570 000 - $579 999	**-**	1
Total Number of Employees	**938**	440

Remuneration of Employees by Category	**2008 Number of Employees**	2007 Number of Employees
Executive	**13**	13
Non-executive	**925**	427
Total Number of Employees	**938**	440
Police	**924**	434
Public servant	**14**	6
Total Number of Employees	**938**	440

The total remuneration paid or payable to these employees was $105.6 million ($50 million).

The increase in remuneration is caused by the implementation of the Enterprise Bargaining Agreement for Police Officers resulting in an increase in the number of police ranks entering the greater than $100 000 remuneration category.

This table represents employees remunerated from SAPOL and Administered items. The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits.

The table above includes remuneration for the former Deputy Commissioner ($570 000 to $579 999 band) who retired during 2006-07 and includes associated leave entitlements.

7. Supplies and Services

	2008 $'000	2007 $'000
Supplies and Services provided by Entities within the SA Government:		
Accommodation and property related	**16 066**	13 570
Administration	**1 733**	729
Communication and computing	**12 069**	13 798
Utilities	**1 017**	815
Employee related	**5 888**	4 929
Insurance	**801**	872
Legal	**1 351**	900
Minor equipment	**33**	69
Motor vehicle related	**9 671**	8 565
Other	**1 220**	1 131
Total Supplies and Services - SA Government Entities	**49 849**	45 378
Supplies and Services provided by Entities external to the SA Government:		
Accommodation and property related	**4 389**	4 253
Administration	**14 764**	15 042
Communication and computing	**10 805**	8 635
Consultants	**33**	116
Utilities	**2 044**	1 986
Employee related	**2 088**	2 074
Legal	**130**	117
Minor equipment	**3 298**	3 344
Motor vehicle related	**12 297**	11 575
Uniforms	**2 078**	2 231
Other	**4 904**	4 937
Total Supplies and Services - Non-SA Government Entities	**56 830**	54 310
Total Supplies and Services	**106 679**	99 688

As part of the recognition of GRN equipment as an asset SAPOL is recognising a reduction in expenditure of $1.560 million. The $1.560 million represents expenditure incurred from 2006-07 and prior years against 2006-07 reported expenditure. All expenditure is communications and computing related and all supplies and services were provided by entities external to SA Government. Prior to the adjustment SAPOL was recognising communications and computing expenditure for supplies and service provided by entities external to SA Government of $10.194 million. (Refer to Note 4.)

Pursuant to the contract arrangements with Plenary Justice Group (Plenary), the PPP partner, SAPOL pays lease charges to Plenary for sites occupied by both SAPOL and CAA. SAPOL on-charges CAA for lease costs associated with CAA sites. The resulting revenue is not off-set against the expenditure.

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

The number and dollar amount of consultancies paid/payable (included in Supplies and Services expense) that fell within the following bands:	**2008 Number**	**2008 $'000**	2007 $'000
Below $10 000	**1**	**5**	24
Between $10 000 - $50 000	**1**	**28**	14
Above $50 000	**-**	**-**	78
Total Paid/Payable to the Consultants Engaged	**2**	**33**	116

8. Depreciation and Amortisation Expense

	2008	2007
Depreciation:	**$'000**	$'000
Buildings and improvements	**3 577**	4 120
Plant and equipment	**8 184**	7 138
Total Depreciation	**11 761**	11 258
Amortisation:		
Leasehold improvements	**1 085**	1 074
Intangible assets	**2 180**	1 960
Total Amortisation	**3 265**	3 034
Total Depreciation and Amortisation Expense	**15 026**	14 292

9. Auditor's Remuneration

	2008	2007
Audit fees paid/payable to the Auditor-General's Department	**158**	158
Total Audit Fees	**158**	158

Other Services

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

10. Revenues from Fees and Charges

	2008	2007
Fees and Charges received/receivable from Entities within the SA Government:		
Police security services	**6 424**	6 715
Police information requests	**411**	295
Other fees	**11**	9
Total Fees and Charges - SA Government Entities	**6 846**	7 019
Fees and Charges received/receivable from Entities external to the SA Government:		
Escorts - wide load/other	**2 196**	1 717
Firearms licence and registration fees	**3 515**	3 540
Police information requests	**2 793**	2 549
Police security services	**100**	92
Prosecution and other court fees	**568**	618
Other fees	**759**	505
Total Fees and Charges - Non-SA Government Entities	**9 931**	9 021
Total Fees and Charges	**16 777**	16 040

11. Interest Revenues

	2008	2007
Interest from entities within the SA Government	**1**	15
Other	**11**	10
Total Interest Revenues	**12**	25

As of 1 July 2006, the Department of Treasury and Finance ceased paying interest on SAPOL's Operating Account balance and Accrual Appropriation Account balance. This policy change was approved by the Treasurer and applies to all core agency operating account balances.

12. Commonwealth Revenue

	2008	2007
	$'000	$'000
Commonwealth revenue	**1 913**	1 247
Total Commonwealth Revenue	**1 913**	1 247

During 2007-08 SAPOL recovered costs associated with resources provided at the request of the Commonwealth Government in relation to:

- International Deployment Group
- Unified Policing Model Adelaide Airport
- Operation Themis.

During 2006-07 SAPOL recovered costs associated with resources provided at the request of the Commonwealth Government in relation to:

- International Deployment Group
- Timor-Leste (East Timor) deployment
- Unified Policing Model Adelaide Airport.

13. Net Loss from Disposal of Assets

	2008	2007
Land and Buildings:	**$'000**	$'000
Proceeds from disposal	**1 277**	-
Net book value of assets disposed	**(564)**	-
Write down of non-current assets	**(511)**	-
Net Gain from Disposal of Land and Buildings	**202**	-

13. Net Loss from Disposal of Assets (continued)

	2008 $'000	2007 $'000
Plant and Equipment:		
Proceeds from disposal	**338**	363
Net book value of assets disposed	**(500)**	(396)
Write-down of non-current assets	**(127)**	(394)
Net Loss from Disposal of Plant and Equipment	**(289)**	(427)
Total Assets:		
Proceeds from disposal	**1 615**	363
Net book value of assets disposed	**(1 064)**	(396)
Write-down of non-current assets	**(638)**	(394)
Net Loss from Disposal of Total Assets	**(87)**	(427)

14. Other Revenues

	2008	2007
Other Revenues received from Entities within SA Government:		
Contributed (donated) asset revenue	**822**	2 463
Employee benefits recoveries	**578**	487
Grant	**696**	772
Sundry receipts	**52**	140
Other	**262**	561
Total Other Revenue - SA Government Entities	**2 410**	4 423
Other Revenues received from Entities external to SA Government:		
Contributed (donated) asset revenue	**-**	61
Employee benefits recoveries	**286**	1 868
Goods and services recoveries	**873**	359
Grants	**267**	286
Rent Revenue	**245**	234
Sundry receipts	**2 072**	556
Other	**1 000**	858
Total Other Revenue - Non-SA Government Entities	**4 743**	4 222
Total Other Revenue	**7 153**	8 645

During 2007-08 SAPOL recognised contributed assets related to Road Safety (Fixed Red Light/Speed Cameras) ($822 000) transferred from the Department for Transport, Energy and Infrastructure.

During 2006-07 SAPOL recognised contributed assets related to Road Safety (Fixed Red Light/Speed Cameras) ($2.463 million) transferred from the Department for Transport, Energy and Infrastructure, and land ($61 000) for Blue Light donated by the Wattle Range Council (there is a building on the land that is not controlled by SAPOL).

15. Revenues from (Payments to) SA Government

	2008 $'000	2007 $'000
Revenues from SA Government:		
Appropriation from Consolidated Account pursuant to the *Appropriation Act*	**500 089**	456 479
Contributions from the Community Emergency Services Fund	**17 564**	17 152
Contributions from the Community Road Safety Fund	**34 700**	34 700
Intra-Government transfers	**322**	702
Total Revenues from SA Government	**552 675**	509 033

In 2007-08, the Intra-Government Transfer comprises:

- $153 000 for Rural Highways saturation program from Department for Transport Energy and Infrastructure;
- $169 000 for construction of police facilities in APY Lands from the Department of the Premier and Cabinet.

In 2006-07, the Intra-Government Transfers relates to:

- $346 000 for equipment funding GRN Terminals;
- $167 000 for SEOC from the Department of the Premier and Cabinet;
- $153 000 for Rural Highways saturation program from Department for Transport, Energy and Infrastructure;
- $36 000 for Ammonium Nitrate History Checks from the Department for Transport, Energy and Infrastructure.

	2008 $'000	2007 $'000
Payments to SA Government:		
Payments to the Consolidated Account*	**(1 834)**	-
Total Payments to SA Government	**(1 834)**	-

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

SAPOL is recognising a payment of $1.834 million ($nil) to the Government in 2007-08, pursuant to the Cash Alignment Policy which was implemented in 2004-05.

16. Cash and Cash Equivalents

	2008 $'000	2007 $'000
Deposits with the Treasurer	**53 003**	43 163
Cash held in imprest accounts and petty cash	**539**	358
Total Cash	**53 542**	43 521

Deposits with the Treasurer

Includes deposits at call and Accrual Appropriation Account.

17. Receivables

	2008	2007
Current:		
Accrued revenue	**72**	48
Receivables	**2 358**	2 228
Prepayments (prepaid expenses)	**2 762**	1 985
Workers compensation recoveries	**192**	221
GST receivable	**1 992**	1 770
Total Current Receivables	**7 376**	6 252
Expected to be recovered more than 12 months after reporting date:		
Workers compensation recoveries	**615**	689
Total Non-Current Receivables	**615**	689
Total Receivables	**7 991**	6 941

Government/Non-Government Receivables

	2008	2007
Receivables from SA Government Entities:		
Accrued revenues	**72**	48
Receivables	**928**	1 021
Prepayments (prepaid expenses)	**935**	873
Total Receivables - SA Government Entities	**1 935**	1 942
Receivables from Non-SA Government Entities:		
Prepayment (prepaid expenses)	**1 827**	1 112
Receivables	**1 430**	1 207
Workers compensation recoveries	**807**	910
GST receivable	**1 992**	1 770
Total Receivables - Non-SA Government Entities	**6 056**	4 999
Total Receivables	**7 991**	6 941

Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

SAPOL has assessed all debtors and has found no objective evidence that a receivable is impaired. Therefore no allowance has been made for impairment loss in the Income Statement.

18. Non-Current Assets Classified as Held-for-Sale

	2008 $'000	2007 $'000
Current:		
Buildings and improvements	**286**	631
Other plant and equipment	**-**	181
Total Non-Current Assets Classified as Held-for-Sale	**286**	812

SAPOL is recognising the following assets for sale as at 30 June 2008:

- Buildings and improvements at Loxton and Stansbury. These buildings are surplus to operational requirements, with SAPOL occupying shopfront facilities in both towns. These assets were revalued during the revaluation of SAPOL assets during 2007-08.

SAPOL is recognising the following assets for sale as at 30 June 2007:

- Buildings and improvements at Loxton and Stansbury. These buildings are surplus to operational requirements, with SAPOL occupying new shopfront facilities in both towns.
- Other Plant and Equipment assets relate to a number of photocopiers which had, or were reaching, their useful lives which will be replaced with new equipment.

19. Property, Plant and Equipment

	2008 $'000	2007 $'000
Land and Buildings:[1]		
Land at fair value	**54 334**	33 574
Buildings at fair value	**129 941**	103 048
Accumulated depreciation	**(7)**	(7 325)
Total Land and Buildings	**184 268**	129 297
Leasehold Improvements:[1]		
Leasehold improvements at fair value	**9 308**	6 831
Accumulated amortisation	**(5)**	(2 405)
Total Leasehold Improvements	**9 303**	4 426
Computing and Communications Equipment:[2]		
Computing and communications equipment	**33 832**	29 670
Accumulated depreciation	**(20 209)**	(14 874)
Total Computing and Communications Equipment	**13 623**	14 796
Vehicle and Transport Vessels:		
Vehicle and transport vessels	**14 440**	14 092
Accumulated depreciation	**(6 897)**	(5 441)
Total Vehicle and Transport Vessels	**7 543**	8 651
Other:		
Other	**21 633**	17 861
Accumulated depreciation	**(8 753)**	(8 181)
Total Other	**12 880**	9 680
Total Property, Plant and Equipment	**227 617**	166 850

(1) Land, buildings and improvements were revalued as at 30 June 2008 by officers from Valcorp Australia Pty Ltd.
(2) Intangible assets - computer software has been separately identified. (Refer to Note 20.)

Reconciliation of Non-Current Assets

The following table shows the movement of non-current assets during 2007-08.

	Land $'000	Buildings and Improvements $'000	Leasehold Improvements $'000	Computer and Communications Equipment $'000	Vehicles and Transport Vessels $'000
Carrying amount at 1 July*	33 574	95 723	4 426	7 340	8 651
Prior period corrections	-	-	-	7 456	-
Adjusted Carrying Amount at 1 July	33 574	95 723	4 426	14 796	8 651
Additions	-	-	-	165	15
Asset revaluation**	21 269	38 573	4 231	-	-
Donated Assets***	-	-	-	-	-
Assets transferred between classes	-	(219)	1 731	3 398	1 094
Depreciation and amortisation	-	(3 577)	(1 085)	(4 711)	(1 814)
Disposals	(509)	(55)	-	-	(403)
Write-off non-current assets	-	(511)	-	(25)	-
Carrying Amount at 30 June	54 334	129 934	9 303	13 623	7 543

	Other $'000	**2008 Total Property, Plant and Equipment $'000**	Work in Progress $'000	Intangible Assets (Software) $'000	**Total 2008 $'000**
Carrying amount at 1 July*	9 680	**159 394**	3 180	9 782	**172 356**
Period adjustment	-	**7 456**	-	-	**7 456**
Adjusted Carrying Amount at 30 June	9 680	**166 850**	3 180	9 782	**179 812**
Additions	93	**273**	13 675	-	**13 948**
Asset revaluation**	-	**64 073**	-	-	**64 073**
Donated Assets***	822	**822**	-	-	**822**
Assets transferred between classes	4 143	**10 147**	(13 091)	2 944	**-**
Depreciation and amortisation	(1 659)	**(12 846)**	-	(2 180)	**(15 026)**
Disposals	(97)	**(1 064)**	-	-	**(1 064)**
Write-off non-current assets	(102)	**(638)**	-	-	**(638)**
Carrying Amount at 30 June	12 880	**227 617**	3 764	10 546	**241 927**

* Reflects balances from the 2006-07 financial statements.

** The total shown for revaluation movements above ($64.073 million) differs to the gain on revaluation of property, plant and equipment in the Statement of Changes in Equity, and the movement in the Asset Revaluation Reserve ($63.728 million) due to the devaluation of the former Loxton Police Station by $345 000 which is recognised as a Non-Current Asset Held-for-Sale.

*** Reflects the transfer to SAPOL of Road Safety Camera from Department for Transport, Energy and Infrastructure.

20. Intangible Assets

	2008	2007
Computer Software:	**$'000**	$'000
Other computer software	**18 411**	15 467
Accumulated amortisation	**(7 865)**	(5 685)
Total Computer Software	**10 546**	9 782

21. Payables

	2008	2007
Current:		
Payables employment on-costs	**5 342**	4 900
Creditors	**6 822**	5 306
Accrued employment on-costs	**2 879**	2 381
Prepaid revenue	**13**	52
Total Current Payables	**15 056**	12 639
Non-Current:		
Other	**29**	29
Employment on-costs	**14 587**	13 926
Total Payables expected to be paid more than 12 months after Reporting Date	**14 616**	13 955
Total Payables	**29 672**	26 594

Government/Non-Government Payables

	2008	2007
Payables to SA Government Entities:		
Payables employment on-costs	**19 929**	18 826
Creditors	**3 465**	3 479
Accrued employment on-costs	**2 879**	2 381
Total Payables - SA Government Entities	**26 273**	24 686
Payables to Non-SA Government Entities:		
Creditors	**3 357**	1 827
Prepaid revenue	**13**	52
Other	**29**	29
Total Payables - Non-SA Government Entities	**3 399**	1 908
Total Payables	**29 672**	26 594

Interest Rate and Credit Risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit that they related 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.

22. Employee Benefits

	2008	2007
Current:	**$'000**	$'000
Accrued salaries and wages	**15 156**	12 035
Annual leave	**24 818**	22 153
Long service leave	**7 484**	6 239
Total Current Employee Benefits	**47 458**	40 427
Non-Current:		
Long service leave	**102 790**	93 806
Annual leave	**140**	165
Total Non-Current Employee Benefits	**102 930**	93 971
Total Employee Benefits	**150 388**	134 398

In the 2008 financial year, the long service leave benchmark contained in APF IV was amended, based on actuarial assessment. The benchmark for the measurement of the long service leave liability has been revised from 9.1 years to 9 years.

The total current and non-current employee benefit (ie aggregate employee benefit plus related on-costs) for 2008 is $55.679 million and $117.517 million respectively.

23. Provisions

	Note	2008	2007
Current:	Note	**$'000**	$'000
Provision for workers compensation	6	**13 766**	11 124
Provision for civil actions against Police		**359**	481
Total Current Provisions		**14 125**	11 605
Non-Current:			
Provisions for workers compensation	6	**62 235**	55 527
Total Non-Current Provisions		**62 235**	55 527

23. Provisions (continued)

	2008	2007
Workers Compensation:	**$'000**	$'000
Carrying amount at 1 July	**66 651**	59 563
Increase in the provision due to revision of estimates	**25 375**	21 845
Reduction due to payments	**(16 025)**	(14 757)
Carrying Amount at 30 June	**76 001**	66 651
Civil Actions Against Police:		
Carrying amount at 1 July	**481**	494
Increase in the provision due to revision of estimates	**229**	146
Reduction due to payments	**(351)**	(159)
Carrying Amount at 30 June	**359**	481

24. Equity

Retained earnings	**(37 935)**	(18 784)
Asset revaluation reserve	**85 605**	21 877
Total Equity	**47 670**	3 093

The Property, Plant and Equipment Assets Revaluation Reserve is used to record increments and decrements on the revaluation of non-current assets.

The published closing equity for 2006-07 was ($4.363 million). Corrections of $7.456 million have increased the 2006-07 equity to $3.093 million. This adjustment is reflected in Retained Earnings. (Refer to Note 4.2.)

The Retained Earnings represents the residual interest in SAPOL's net assets. The SA Government holds the accumulated deficit interest in SAPOL on behalf of the community.

As at 30 June 2008 SAPOL is reporting equity of $47.670 million. The movement from the reported equity as at 30 June 2008 mainly comprises the impact of the revaluation of assets, offset by increases in employee related provisions for annual and long service leave accrued salaries and wages and workers compensation that are calculated using guidelines determined as part of government policy, or through a whole-of-government actuarial assessment in the case of workers compensation.

The level of equity has also been impacted by the implementation of the Cash Alignment Policy in 2004-05. Pursuant to this policy SAPOL has returned $43.900 million to Government. This has reduced the level of current assets held by SAPOL and ultimately reduced the level of equity.

	2008	2007
Retained earnings:	**$'000**	$'000
Balance at 1 July	**(18 784)**	(16 857)
Change in accounting policy	**-**	7 783
Net result	**(19 151)**	(9 710)
Balance at 30 June	**(37 935)**	(18 784)
Asset revaluation reserve		
Balance at 1 July	**21 877**	21 877
Increase and asset revaluation reserve	**63 728**	-
Balance at 30 June	**85 605**	21 877

The increase in the Asset Revaluation Reserve for 2007-08 is due to the impact of the triennial revaluation of land, buildings and improvements.

Land, Buildings and Improvements were revalued as at 30 June 2008 in accordance with APF III. SAPOL revalues assets on a three yearly cycle.

25. Financial Instruments/Financial Risk Management

For details of significant policies and methods refer to Note 2.

(a) Credit Risk

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

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

Currently SAPOL does not hold any collateral as security to any of its financial assets. There is no evidence to indicate that financial assets are impaired.

Assets (such as prepaid expenses) for which the future economic benefit is the receipt of goods and services, rather than the right to receive cash or another financial asset, are not financial assets. Workers Compensation recovery is not a financial asset as the value is based on an actuarial assessment and no contractual obligation exists. Similarly, items such as deferred revenue and most warranty obligations are not financial liabilities because the outflow of economic benefits associated with them is the delivery of goods and services rather than a contractual obligation to pay cash or another financial asset.

(b) Maturity Analysis of Financial Assets and Liabilities

SAPOL has assessed the maturity of its financial assets and liabilities as being less than one year. Receivables and payables with a contractual obligation are settled within 30 days.

(c) Liquidity Risk

Liquidity risk arises where SAPOL is unable to meet its financial obligations as they fall due. SAPOL is funded principally from appropriations by the SA Government. SAPOL works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet expected cash flows. SAPOL settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

(d) Market Risk

SAPOL has no exposure to market risk.

25.1 Categorisation of Financial Instruments

Category of financial assets and liabilities	Note	**2008** Book Value $'000	**2008** Fair Value $'000	2007 Book Value $'000	2007 Fair Value $'000
Financial Assets					
Cash and cash equivalents:					
Cash	16	**53 542**	**53 542**	43 521	43 521
Receivables:					
Receivables[(1)]	17	**2 358**	**2 358**	2 228	2 228
Financial Liabilities					
Payables:					
Payables[(1)]	21	**6 851**	**6 851**	5 335	5 335

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax etc they would be excluded from disclosure. AASB 132 defines contract as enforceable by law. All amounts recorded are carried at cost.

25.2 Ageing Analysis of Financial Assets

	Past Due By: Overdue for less than 30 Days $'000	Overdue for 30-60 Days $'000	Overdue for more than 60 Days $'000	Total $'000
2008				
Receivables	**2 222**	**60**	**76**	**2 358**
	2 222	**60**	**76**	**2 358**
2007				
Receivables	2 116	76	36	2 228
	2 116	76	36	2 228

SAPOL has not assessed any receivables as being impaired.

26. Commitments

Capital Commitments

Capital expenditure commitments at the reporting date but not recognised as liabilities in the financial report, are payable as follows:	**2008** $'000	2007 $'000
Within one year	**4 736**	7 729
Later than one year but not later than five years	**344**	3 203
Later than five years	**-**	424
Total Capital Commitments	**5 080**	11 356
GST included in Capital Commitments	**462**	1 032

Major Capital Commitments include Academy Redevelopments, Early Intervention Program, Bus, Breath Analysis Instrument, Domestic Violence Information Technology Project, Para Hills Disposal and Mobile Speed Cameras.

Other Commitments

Other expenditure commitments at the reporting date but not recognised as liabilities in the financial report, are payable as follows:	**2008** $'000	2007 $'000
Within one year	**646**	1 677
Later than one year but not later than five years	**954**	1 135
Total Other Commitments	**1 600**	2 812
GST included in Other Commitments	**145**	**256**

Major Other Expenditure Commitments include minor building works, Australian Institute of Police Management and Ammunition.

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:

	2008	2007
	$'000	$'000
Within one year	**3 692**	2 798
Later than one year but not later than five years	**6 278**	4 100
Total Remuneration Commitments	**9 970**	6 898

Amounts disclosed include commitments arising from executive and other service contracts. SAPOL does not offer remuneration contracts greater than five years. Amounts disclosed include commitments arising from the Commissioner of Police employment contract.

Operating Lease Commitments

Commitments under non-cancellable operating leases, related to property and vehicles, at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	2008	2007
	$'000	$'000
Not later than one year	**21 983**	19 531
Later than one year but not later than five years	**43 873**	45 962
Later than five years	**71 708**	74 892
Total Operating Lease Commitments	**137 564**	140 385
GST included in Operating Lease Commitments	**12 505**	12 762

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

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

27. Contingent Liabilities

Rewards

As at 30 June 2008 the value of outstanding rewards for unsolved murders was $5.5 million ($4.8 million). No provision has been made in the financial report for this amount as there exists considerable doubt as to the amount and timing of rewards that will actually be paid. This amount is not recognised in the Balance Sheet.

28. Remuneration of Tribunal and Committee Members

Members that were entitled to receive remuneration for membership during the 2007-08 financial year were:

Police Review Tribunal

D Smythe D Swain

The *Police Act 1998*, at Schedule 1 (Police Review Tribunal) requires the Chief Magistrate of the Magistrates court to, on the commencement of any proceedings under Divisions 1 or 2 of Part 8, select a Magistrate to constitute the Tribunal for the purpose of those proceedings.

Firearms Consultative Committee

R Hamdorf	Y Hill	D Hillan
A Swifte	O Bevan	I Wangel
J Baker (retired)	S Ahrens	R Warwick
G Hyde	H Dodd (appointed 18 October 2007)	K Wigglesworth*
S Murray (retired)	J McIntyre (appointed 18 October 2007)	

	2008	2007
The number of members whose remuneration received or receivable falls within the following bands:	**Number of Members**	Number of Members
$0 - $9 999	**16**	14
$10 000 - $19 999	**-**	1
Total Number of Members	**16**	15

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 $38 000 ($32 000).

Amounts paid to a superannuation plan for tribunal/committee members was $3 000 ($3 000).

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

* In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

29. Cash Flow Reconciliation

	2008	2007
	$'000	$'000
Reconciliation of Cash - Cash at 30 June as per:		
Cash Flow Statement	**53 542**	43 521
Balance Sheet	**53 542**	43 521

	2008	2007
Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services:		
Net cash provided by operating activities	**22 081**	20 016
Less: Revenues from SA Government	**(500 089)**	(456 479)
Less: Contribution from the Community Emergency Services Fund	**(17 564)**	(17 152)
Less: Contribution from Community Road Safety Fund	**(34 700)**	(34 700)
Less: Intra-Government Transfer	**(322)**	(702)
Add: payments to SA Government	**1 834**	-
Add/Less: Non-Cash Items:		
Depreciation and amortisation expense	**(15 026)**	(12 406)
Net loss from disposal and write-down of non-current assets	**(87)**	(427)
Prior period adjustment	**-**	(327)
Assets recognised through stocktake	**273**	-
Donated Assets:		
Road safety cameras (Transfer from Department for Transport, Energy and Infrastructure)	**822**	2 463
Land (Transfer from Wattle Range Council)	**-**	61
Disposal of assets held-for-sale	**(181)**	(124)
Change in Assets and Liabilities:		
Increase (Decrease) in receivables	**1 050**	(195)
Increase (Decrease) in inventories	**213**	(26)
Increase in payables and provisions	**(12 306)**	(10 274)
Increase in employee benefits	**(15 990)**	(8 471)
Net Cost of Services from Ordinary Activities	**(569 992)**	(518 743)

30. Events After Balance Date

Police Superannuation

During the preparation of the 2007-08 Financial Statements it was identified that employer contributions paid to the Police Superannuation Board were incorrectly calculated. The actions required regarding this overpayment have not yet been determined but will involve discussions with the Department of Treasury and Finance and the Police Superannuation Board.

Systems changes are being implemented to rectify this matter from the beginning of 2008-09.

Shared Services SA

In October 2006 the Government established the Shared Services Reform Office to develop the strategy for the establishment of Shared Services SA. Shared Services SA was established within the Department of Treasury and Finance. Shared Services SA aims to implement corporate and business services to be shared by all departments of the South Australian public sector. These services will be in the areas of Finance, Human Resources (HR), Information and Communication Technology (ICT) and Procurement. The first transition of functions will occur on 20 October 2008. Only employees employed under the PSM Act are to be transferred.

The staffing, and expenditure and balance sheet impacts of the transfer have not yet been finalised.

Statement of Administered Income and Expenses
for the year ended 30 June 2008

	Note	2008 $'000	2007 $'000
EXPENSES:			
Employee benefit expenses		**366**	309
Supplies, services and other expenditure	AI3	**2 126**	1 825
Intra-government transfers		**6 631**	2 571
Total Expenses		**9 123**	4 705
INCOME:			
Revenue from fees, fines and charges	AI4	**84 266**	60 534
Total Income		**84 266**	60 534
NET SURPLUS FROM ORDINARY ACTIVITIES		**75 143**	55 829
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT			
Revenues from SA Government	AI5	**690**	668
Payments to SA Government	AI5	**(75 657)**	(56 369)
Net Payments to SA Government		**(74 967)**	(55 701)
Net Result before Restructuring		**176**	128
Decrease in Net Assets due to Administrative Restructure	AI6	**-**	(198)
NET RESULT AFTER RESTRUCTURING		**176**	(70)

Statement of Administered Assets and Liabilities
as at 30 June 2008

	Note	2008 $'000	2007 $'000
CURRENT ASSETS:			
Cash and cash equivalents	AI7	**11 594**	8 129
Receivables from SA Government		**191**	112
Total Current Assets		**11 785**	8 241
Total Assets		**11 785**	8 241
CURRENT LIABILITIES:			
Payables - Employment on-costs		**5**	3
Other liabilities	AI8	**11 184**	7 847
Employee benefits	AI9	**33**	22
Total Current Liabilities		**11 222**	7 872
NON-CURRENT LIABILITIES:			
Long-term employee benefits - Long service leave		**135**	119
Payables - Employment on-costs		**21**	19
Total Non-Current Liabilities		**156**	138
Total Liabilities		**11 378**	8 010
NET ASSETS		**407**	231
EQUITY:			
Retained earnings		**407**	231
TOTAL EQUITY		**407**	231

Total equity is attributable to the SA Government as owner

Commitments	AI10		

Statement of Changes in Administered Equity for the year ended 30 June 2008

	Retained Earnings $'000
Balance at 30 June 2006	301
Net Income/Expense recognised directly in Equity for 2006-07	128
Net Expense recognised directly in equity from restructure during 2006-07	(198)
Net result after restructure for 2006-07	(70)
Total Recognised Income and Expense for 2006-07	(70)
Restated Balance at 30 June 2007	231
Total Recognised Income and Expense for 2007-08	**176**
Balance at 30 June 2008	**407**

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

Statement of Administered Cash Flows for the year ended 30 June 2008

	Note	**2008 Inflows (Outflows) $'000**	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefits costs		**(335)**	(322)
Supplies, services and other expenditure		**(303)**	(2 169)
Intra-government transfers		**(6 631)**	(2 573)
Cash used in Operations		**(7 269)**	(5 064)
CASH INFLOWS:			
Fees, fines and charges		**82 240**	58 810
Other revenue		**1 948**	1 744
Cash generated from Operations		**84 188**	60 554
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**690**	668
Payment to SA Government		**(74 144)**	(56 339)
Cash generated from SA Government		**(73 454)**	(55 671)
Net Cash provided by (used in) Operating Activities	AI11	**3 465**	(181)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Distribution due to restructure		**-**	(317)
Total cash used in Financing Activities		**-**	(317)
Net Cash used in Financing Activities		**-**	(317)
NET INCREASE (DECREASE) IN CASH EQUIVALENTS		**3 465**	(498)
CASH AND CASH EQUIVALENTS AT 1 JULY		**8 129**	8 627
CASH AND CASH EQUIVALENTS AT 30 JUNE	AI11	**11 594**	8 129

Schedule of Administered Income and Expenses for the year ended 30 June 2008

(Refer Note AI2)	Expiation Fees		VOC Levy		Special Acts	
	2008	2007	**2008**	2007	**2008**	2007
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefits expenses	**-**	-	**-**	-	**366**	309
Supplies, services and other expenditure	**-**	-	**-**	-	**-**	-
Intra-government transfers	**-**	-	**6 581**	2 521	**-**	-
Total Expenses	**-**	-	**6 581**	2 521	**366**	309
INCOME:						
Revenue from fees, fines and charges	**75 658**	56 289	**6 581**	2 521	**-**	-
Total Income	**75 658**	56 289	**6 581**	2 521	**-**	-
NET SURPLUS (COST) FROM ORDINARY ACTIVITIES	**75 658**	56 289	**-**	-	**(366)**	(309)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT						
Revenues from SA Government	**-**	-	**-**	-	**336**	322
Payments to SA Government	**(75 657)**	(56 327)	**-**	-	**-**	-
Net Revenues from (Payments to) SA Government	**(75 657)**	(56 327)	**-**	-	**336**	322
NET RESULT BEFORE RESTRUCTURE	**1**	(38)	**-**	-	**(30)**	13

(Refer Note AI2)	PPP		Other		**Total**	
	2008	2007	**2008**	2007	**2008**	2007
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefits expenses	**-**	**-**	**-**	-	**366**	309
Supplies, services and other expenditure	**2 027**	1 566	**99**	259	**2 126**	1 825
Intra-government transfers	**-**	**-**	**50**	50	**6 631**	2 571
Total Expenses	**2 027**	1 566	**149**	309	**9 123**	4 705
INCOME:						
Revenue from fees, fines and charges	**2 027**	1 566	**-**	158	**84 266**	60 534
Total Income	**2 027**	1 566	**-**	158	**84 266**	60 534
NET SURPLUS (COST) FROM ORDINARY ACTIVITIES	**-**	-	**(149)**	(150)	**75 143**	55 829
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT						
Revenues from SA Government	**-**	-	**354**	346	**690**	668
Payments to SA Government	**-**	-	**-**	(42)	**(75 657)**	(56 369)
Net Revenues from (Payments to) SA Government	**-**	-	**354**	304	**(74 967)**	(55 701)
NET RESULT BEFORE RESTRUCTURE	**-**	-	**205**	153	**176**	128

Schedule of Administered Assets and Liabilities as at 30 June 2008

	Unclaimed Property		Exhibit Monies		Expiation Fees		VOC Levy	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
CURRENT ASSETS:								
Cash and cash equivalents	**130**	129	**4 726**	3 079	**5 571**	4 431	**581**	208
Receivables	**-**	-	**-**	-	**-**	-	**-**	-
Total Assets	**130**	129	**4 726**	3 079	**5 571**	4 431	**581**	208
CURRENT LIABILITIES:								
Payables	**-**	-	**-**	-	**-**	-	**-**	-
Other liabilities	**130**	129	**4 726**	3 079	**5 571**	4 431	**581**	208
Employee benefits	**-**	-	**-**	-	**-**	-	**-**	-
Total Current Liabilities	**130**	129	**4 726**	3 079	**5 571**	4 431	**581**	208
NON-CURRENT LIABILITIES:								
Long-term employee benefits	**-**	-	**-**	-	**-**	-	**-**	-
Payables	**-**	-	**-**	-	**-**	-	**-**	-
Total Non-Current Liabilities	**-**	-	**-**	-	**-**	-	**-**	-
Total Liabilities	**130**	129	**4 726**	3 079	**5 571**	4 431	**581**	208
NET ASSETS	**-**	-	**-**	-	**-**	-	**-**	-

	Special Acts		PPP		Other		**Total**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
CURRENT ASSETS:								
Cash and cash equivalents	**(17)**	(112)	**-**	-	**602**	394	**11 594**	8 129
Receivables	**17**	112	**174**	-	**-**	-	**191**	112
Total Assets	**-**	-	**174**	-	**602**	394	**11 785**	8 241
CURRENT LIABILITIES:								
Payables	**5**	3	**-**	-	**-**	-	**5**	3
Other liabilities	**-**	-	**174**	-	**2**	-	**11 184**	7 847
Employee benefits	**33**	22	**-**	-	**-**	-	**33**	22
Total Current Liabilities	**38**	25	**174**	-	**2**	-	**11 222**	7 872
NON-CURRENT LIABILITIES:								
Long-term employee benefits	**135**	119	**-**	-	**-**	-	**135**	119
Payables	**21**	19	**-**	-	**-**	-	**21**	19
Total Non-Current Liabilities	**156**	138	**-**	-	**-**	-	**156**	138
Total Liabilities	**194**	163	**174**	-	**2**	-	**11 378**	8 010
NET ASSETS	**(194)**	(163)	**-**	-	**600**	394	**407**	231

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

AI1. Summary of Significant Accounting Policies

All accounting policies for the South Australia Police (SAPOL) are contained in Note 2. The policies outlined in Note 2 apply to both SAPOL and the Administered Items Financial Statements except as noted below.

AI1.1 Departures from SAPOL 'Summary of Significant Accounting Policies'

Basis of Accounting

Income from Expiation fees and Victim of Crime Levy fees is recognised on a cash basis. All other elements of SAPOL's Administered Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis.

AI2. Administered Items

The following financial transactions are administered by SAPOL as at 30 June 2008. They do not represent controlled transactions of SAPOL. As such they are not recognised in the financial statements of SAPOL.

AI2.1 Unclaimed Monies and Proceeds from Disposal of Found Properties

SAPOL holds unclaimed monies and proceeds from disposal of found properties. These monies are held for a period of six months and are then passed to government. SAPOL treats these items in accordance with Police Regulations 1999.

AI2.2 Exhibit Monies

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

AI2.3 Expiation Fees

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

AI2.4 Victims of Crime Levy

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

AI2.5 Special Acts

SAPOL receives separate appropriation for the payment of salaries in relation to the Commissioner of Police. Funding is provided under 'Recurrent Expenditure – Special Acts'.

AI2.6 Public Private Partnership (PPP)

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

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

The PPP includes courts facilities at Port Lincoln, Victor Harbor and Berri, and new court facilities at Port Pirie.

For accounting purposes the lease is an operating lease.

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

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

AI2.7 Other

SAPOL receives appropriation with respect to grant payments to Safer Communities Australia Inc and the Australian Crime Prevention Council and a Community Service Obligation payment to SA Water.

SAPOL provided the financial services associated with the operations of the Rescue Helicopter Service to 30 June 2006. From 1 July 2006, the Attorney-Generals Department assumed governance and responsibility.

AI3. Supplies and Services

	2008	2007
Supplies and Services provided by Entities within the SA Government:	**$'000**	$'000
Other supplies and services	**-**	159
Total Supplies and Services - SA Government Entities	**-**	159
Supplies and Services provided by Entities external to the SA Government:		
PPP lease payments*	**2 027**	1 566
Other	**99**	100
Total Supplies and Services - Non-SA Government Entities	**2 126**	1 666
Total Supplies and Services	**2 126**	1 825

* This relates to PPP lease payments on behalf of CAA. (Refer to Note AI2.6.) The expenditure is offset by cost recovery from CAA.

AI4. Revenues from Fees, Fines and Charges

	2008	2007
Fees and Charges received/receivable from Entities within the SA Government:	**$'000**	$'000
Rescue Helicopter Service	**-**	(1)
PPP cost recovery**	**2 027**	1 566
Total Fees, Fines and Charges - SA Government Entities	**2 027**	1 565
Fees and Charges received/receivable from Entities external to the SA Government:		
Expiation fees	**75 658**	56 289
Victim of Crime Levy	**6 581**	2 521
Other	**-**	159
Total Fees, Fines and Charges - Non-SA Government Entities	**82 239**	58 969
Total Fees, Fines and Charges	**84 266**	60 534

** This amount includes cost recovery from CAA for PPP lease payments. (Refer to Note AI2.6.)

AI5. Revenue from / Payments to SA Government

Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	**690**	668
Total Revenues from SA Government	**690**	668
Payments to SA Government:		
Other payments to the Consolidated Account***	**(75 657)**	(56 369)
Total Payments to SA Government	**(75 657)**	(56 369)

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

AI6. Decrease in Net Assets due to Administrative Restructure

Total Decrease in Net Assets due to Administrative Restructure	**-**	(198)

From 1 July 2006 the Attorney-General's Department (Administered Items) assumed governance and responsibility of the Adelaide Bank Rescue Helicopter Service. SAPOL transferred the following Balance Sheet items to the Attorney-General's Department effective 1 July 2006:

	2007
	$'000
Cash	317
Payables	(119)
Net Assets	198

AI7. Cash and Cash Equivalents

	2008	2007
	$'000	$'000
Deposits with the Treasurer	**6 040**	3 810
Deposits with other financial institutions	**5 554**	4 319
Total Cash and Cash Equivalents	**11 594**	8 129

AI8. Current Liabilities

Transfer of funds to SA Government	**6 326**	4 637
Exhibit monies to non-SA Government	**4 726**	3 079
Proceeds from sale of unclaimed property to non-SA Government	**130**	129
Other	**2**	2
Total Current Liabilities	**11 184**	7 847

AI9. Current Employee Benefits

Current:		
Accrued salaries and wages	**7**	5
Annual leave	**26**	17
Total Current Employee Benefits	**33**	22

AI10. Commitments

Operating Lease Commitments

Commitments under non-cancellable operating leases, relate to the PPP lease payments, paid on behalf of CAA, at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

Within one year	**2 059**	2 000
Later than one year but not later than five years	**8 781**	8 564
Later than five years	**48 981**	51 259
Total Operating Lease Commitments	**59 821**	61 823
GST included in Operating Lease Commitments	**5 438**	5 620

Amounts arising from the Commissioner of Police employment contract are included in remuneration commitments disclosed at Note 26.

AI11. Cash Flow Reconciliation

	2008	2007
Reconciliation of Cash - Cash at 30 June as per:	**$'000**	$'000
Cash Flow Statement	**11 594**	8 129
Balance Sheet	**11 594**	8 129
Reconciliation of Net Cash generated by Operating Activities to Net Surplus from Ordinary Activities:		
Net cash provided by (used in) operating activities	**3 465**	(181)
Less: Revenues from SA Government	**(690)**	(668)
Add: Payments to SA Government	**75 657**	56 369
Change in Assets and Liabilities:		
Increase (Decrease) in receivables	**79**	(20)
(Increase) Decrease in payables and provisions	**(31)**	7
(Increase) Decrease in other liabilities	**(3 337)**	322
Net Surplus from Ordinary Activities	**75 143**	55 829

SOUTH AUSTRALIAN ASSET MANAGEMENT CORPORATION

FUNCTIONAL RESPONSIBILITY

The *State Bank of South Australia Act 1983* (as amended) provides for the South Australian Asset Management Corporation (SAAMC), formerly known as the State Bank of South Australia to 'manage, realise and otherwise deal with its remaining assets and liabilities and, with the approval of the Treasurer, other assets and liabilities of the Crown or an instrumentally of the Crown, to the best advantage of the State'. The Act also provides for the Board of Directors of SAAMC to be subject to the control and direction of the Treasurer.

SAAMC and its controlled entities (ie former subsidiary and associated entities of the former State Bank of South Australia) commenced operations on 1 July 1994 with consolidated assets and liabilities of $8.3 billion and $8.2 billion respectively. At 30 June 2008 assets and liabilities of SAAMC stood at $80 million and $7 million respectively.

At 30 June 2008 SAAMC staffing consisted of a part-time Chief Executive Officer and one temporary employee.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Assessment of Controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by SAAMC 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 those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

The audit program involved the review of financial systems and records and was directed primarily to obtaining sufficient evidence to enable an opinion to be formed with respect to the financial statements and internal controls.

During 2007-08, areas of audit attention included: cash and investments; receivables and payables; financial accounting systems, including reconciliation processes; and financial statements verification.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the South Australian Asset Management Corporation as at 30 June 2008, and 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 (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the South Australian Asset Management Corporation 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 South Australian Asset Management Corporation have been conducted properly and in accordance with law.

Communication of Audit Matters

SAAMC's financial controls operating in relation to the auditable areas of review (including financial statements) were determined as satisfactory. There were no matters identified during the course of the audit that necessitated communication in the form of a management letter to SAAMC.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

The major objective of SAAMC involves the management of the divesting of assets and repayment of liabilities rather than holding for long-term operations and profit generation.

Highlights of the Financial Report

	2008 **$'million**	2007 $'million
INCOME		
Interest revenue	**5**	4
Non-interest income	**-**	1
Recoveries of debts	**8**	1
Total Income	**13**	6
Total Expenses	**1**	1
Net Profit After Income Tax Equivalents	**12**	5
NET CASH FLOWS FROM OPERATING ACTIVITIES	**7**	(1)
ASSETS	**80**	72
LIABILITIES	**7**	7
EQUITY	**73**	65

Income Statement

The following table shows the revenues/recoveries, expenses and net profits for the five years to 2008.

	2008 **$'million**	2007 $'million	2006 $'million	2005 $'million	2004 $'million
Revenues/recoveries	**13**	6	6	21	58
Expenses	**1**	1	1	8	45
NET PROFIT	**12**	5	5	13	13

The 2008 net profit outcome was an increase over the previous year. This resulted from a significant recovery received during the year from a major debtor.

The reduction in revenue and expense flows and associated net profit results over the years up to 2008, reflects SAAMC's core objective of asset divestiture and liability extinguishment, rather than profit generation.

Balance Sheet

The net asset position of SAAMC at 30 June 2008 was $73.0 million, up from $65.4 million at 30 June 2007. Note 15 to the financial statements discloses that investments of $78.4 million represent deposits with the South Australian Government Financing Authority.

At 30 June 2008, the retained earnings of SAAMC were $20.2 million after payment of a dividend of $4 million to the Consolidated Account on direction of the Treasurer pursuant to section 22 of the *State Bank of South Australia Act 1983* (as amended). Refer to Statement of Changes in Equity.

Cash Flow Statement

The following table summarises the net cash flows for the five years to 2008.

	2008	2007	2006	2005	2004
	$'million	$'million	$'million	$'million	$'million
Net Cash Flows					
Operations	**7**	(2)	16	7	10
Investing	**(4)**	2	(11)	696	152
Financing	**(4)**	-	(6)	(705)	(161)
Change in Cash	**(1)**	-	(1)	(2)	1
Cash at 30 June	**1**	2	2	3	5

Over the years from 2004 to 2008, cash flows from investing activities have mainly resulted from the sale of securities. The proceeds have been used in relation to financing activities, associated with repaying borrowings and/or contributed capital to the Government, or payment of dividends to the Government, or in reinvestment activity principally with South Australian Government Financing Authority.

Income Statement
for the year ended 30 June 2008

	Note	**2008**	2007
INCOME:		**$'000**	$'000
Interest revenues	5	**4 632**	4 372
Other income	6	**16**	308
Credit for bad and doubtful debts	12	**8 185**	816
Total Income		**12 833**	5 496
EXPENSES:			
Employee benefits costs	8	**190**	211
Supplies and services	9	**242**	526
Other Expenses	10	**802**	18
Total Expenses		**1 234**	755
Profit before income tax equivalents		**11 599**	4 741
Income tax equivalent expense	13	**-**	-
NET PROFIT AFTER INCOME TAX EQUIVALENTS		**11 599**	4 741

Net profit after income tax equivalents is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2008

	Note	**2008**	2007
ASSETS:		**$'000**	$'000
Cash and cash equivalents	23(a)	**1 019**	1 921
Investments	15	**78 422**	69 916
Other financial assets	16	**126**	5
Total Assets		**79 567**	71 842
LIABILITIES:			
Payables	17	**3 336**	3 187
Employee benefits	18	**131**	115
Provisions	19	**3 148**	3 187
Total Liabilities		**6 615**	6 489
NET ASSETS		**72 952**	65 353
EQUITY:			
Contributed capital		**52 716**	52 716
Retained earnings		**20 236**	12 637
TOTAL EQUITY		**72 952**	65 353

Commitments for expenditure	20
Contingent assets and liabilities	21

Statement of Changes in Equity
for the year ended 30 June 2008

	Contributed Capital $'000	Property Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2006	52 716	-	7 896	60 612
Restated balance at 30 June 2006	52 716	-	7 896	60 612
Profit after Income Tax Equivalents for 2006-07	-	-	4 741	4 741
Total recognised Income and Expense for 2006-07	-	-	4 741	4 741
Dividend paid to SA Government	-	-	-	-
BALANCE AT 30 JUNE 2007	52 716	-	12 637	65 353
Profit after Income Tax Equivalents for 2007-08	-	-	11 599	11 599
Total recognised Income and Expense for 2007-08	-	-	11 599	11 599
Dividend paid to SA Government	-	-	(4 000)	(4 000)
BALANCE AT 30 JUNE 2008	**52 716**	**-**	**20 236**	**72 952**

Cash Flow Statement
for the year ended 30 June 2008

	Note	2008 Inflows (Outflows) $'000	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Receipts from the sale of goods and services		**4 835**	4 736
Interest received		**85**	90
GST receipts on receivables		**479**	474
GST input tax credits claimed		**563**	566
Other receipts		**8 202**	1 126
Cash generated from Operations		**14 164**	6 992
CASH OUTFLOWS:			
Employee benefit payments		**(219)**	(240)
Supplies and services		**(5 901)**	(5 786)
GST payments on purchases		**(563)**	(565)
GST remitted to ATO		**(483)**	(1 825)
Cash used in Operations		**(7 166)**	(8 416)
Net Cash provided by (used in) Operating Activities	23(b)	**6 998**	(1 424)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from the sales/maturities of investments		**4 000**	3 410
Cash generated from Investing Activities		**4 000**	3 410
CASH OUTFLOWS:			
Purchase of investments		**(7 900)**	(1 800)
Cash used in Investing Activities		**(7 900)**	(1 800)
Net Cash (used in) provided by Investing Activities		**(3 900)**	1 610
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Dividend paid		**(4 000)**	-
Cash used in Financing Activities		**(4 000)**	-
Net Cash (used in) provided by Financing Activities		**(4 000)**	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(902)**	186
CASH AND CASH EQUIVALENTS AT 1 JULY		**1 921**	1 735
CASH AND CASH EQUIVALENTS AT 30 JUNE		**1 019**	1 921

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of South Australian Asset Management Corporation (SAAMC)

SAAMC – referred to as the 'Corporation' - is incorporated under the *State Bank of South Australia Act 1983* (as amended). On 1 July 1994, the Corporation changed its name from State Bank of South Australia to SAAMC, as provided for in the *State Bank of South Australia Act 1983* (as amended). The objectives of the Corporation are:

- Meet the long-term obligations and commitments of what was previously known as State Bank of South Australia.
- Pursue and finalise statutory and other legal actions arising from winding down of all the subsidiaries of the former State Bank of South Australia.
- Disciplined downsizing of the Balance Sheet.
- Generate earnings through the realisation of assets and prudent management of funding.
- Manage limited resources efficiently and productively, maintaining a pool of skills in balance with the downsizing task.
- Be fully accountable to the State of South Australia.
- Maintain a high standard of corporate and business ethics.

2. Summary of Significant Accounting Policies

(a) Statement of Compliance

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs, TIs and APSs promulgated under the provisions of the PFAA.

AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Corporation for reporting period ending 30 June 2008 as outlined in Note 3.

(b) Basis of Preparation

The preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, 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, that have been included in this financial report:

  (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature;

  (b) expenses incurred as a result of engaging consultants (refer Note 9);

  (c) employees whose normal remuneration is $100 000 or more (within $10 000 bandwidths) and the aggregate of the remuneration paid or otherwise made available, directly or indirectly by the entity to those employees (refer Note 7).

The Corporation's Income Statement, Balance Sheet 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 applicable valuation policy.

The Cash Flow Statement has been prepared on a cash basis.

The financial report has been prepared based on a 12 month operating cycle and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2008 and the comparative information presented for the year ended 30 June 2007.

(c) Reporting Entity

The financial report covers SAAMC as an individual reporting entity. SAAMC is a statutory authority of the State of South Australia, established pursuant to the *State Bank of South Australia Act 1983* (as amended).

(d) Comparative Information

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or AAS have required a change.

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

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

(e) Rounding

Unless otherwise indicated, all amounts in the financial statements have been rounded to the nearest thousand dollars ($'000).

(f) Events After Balance Date

Where an event occurs after 30 June but provides information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements.

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

(g) Taxation

The Corporation is exempt from TI 22 by virtue of the *State Bank (Corporatisation) Act 1994*. The Corporation is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

(g) Taxation (continued)

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 Balance Sheet.

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

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) Bad and Doubtful Debts

Provisioning for bad and doubtful debts is not required. The Corporation's assets are cash and other liquid investments with SAFA.

Due to their nature these assets have a minimum credit risk attached to them and they are continuously monitored and individually valued. Any changes to the market values of these assets are immediately taken through the Income Statement.

(i) Income and Expenses

Income and expenses are recognised in the Corporation's Income Statement 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.

(j) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet include 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 purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

(k) Investments

Investments represent public and other debt instruments that were purchased with the intention of investing excess liquidity prior to the repayment to the SA Government or as part of the liquidity management function of the Corporation. Such securities are recorded on a mark-to-market valuation basis. Gains and losses realised from the sale of these securities and unrealised gains and losses on revaluation are reflected in the Income Statement.

(l) Receivables

Receivables include amounts receivable from trade, 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 receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual agreement. Collectability of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts in raised when there is objective evidence that the Corporation will not be able to collect the debt. Bad debts are written off when identified.

(m) Employee Benefits

Employee benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. The value of commitments to employees is based on projected departure dates of staff and is calculated on the estimated cash entitlement at the time of the expected departure. Provisions required for employee entitlements are not discounted to present value, as the effect of discounting is not material.

Salaries, Annual Leave and Long Service Leave

The provisions for employee entitlements to salaries and annual leave represent the amount that the Corporation has a present obligation to pay, resulting from employees' services provided up to balance date. The provision has been calculated at nominal amounts, based on current salary rates, and includes related on costs.

The Corporation's future obligations for long service leave entitlements, although immaterial, have been fully provided.

Superannuation Funds
The Corporation contributes the prescribed Employer Contribution to the Triple S scheme administered by the South Australian Superannuation Board and a privately held fund chosen by an employee. Contributions are charged against income as they are made (refer Note 20 'Superannuation Commitments'). 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 paid.

(n) Provisions
Provisions are recognised when the Corporation has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Corporation expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement 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 balance 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.

(o) Insurance
The Corporation has arranged, through the South Australian Government Financing Authority, SAICORP Division, to insure all major risk of the Corporation. The excess payable under this arrangement varies depending on each class of insurance held.

3. Changes in Accounting Policies
The AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Corporation for the reporting period ending 30 June 2008. The Corporation has assessed the impact of the new and amended Standards and Interpretations and considers there will be no impact on the accounting policies or the financial report of the Corporation.

4. Revenues from / Payments to SA Government (Direction from the Treasurer)
Section 22 of the *State Bank of South Australia Act 1983* (as amended), provides that any surplus of funds remaining after the costs of the Bank have been met in any financial year, must be paid into the Consolidated Account or otherwise dealt with as the Treasurer of South Australia may determine.

On 25 June 2008, the Treasurer of South Australia specifically determined and approved the payment of a $4 million dividend to the Consolidated account on 30 June 2008. The dividend was paid from the Corporation's current earnings and accumulated retained profits.

5. Interest Revenues

	2008	2007
	$'000	$'000
Interest received/receivable from entities external to the SA Government	**85**	90
Interest received/receivable from entities within SA Government	**4 547**	4 282
Total Interest Income	**4 632**	4 372

6. Other Income

Other sundry income received from entities external to SA Government	**16**	308
Total Other Income	**16**	308

7. Key Management Personnel and Remuneration
Key management personnel of the Corporation comprise the directors of the Corporation being Mr Brett G Rowse, Ms Linda Hart, Ms Kathryn A Moore, Ms Nicolle S Rantanen and the Chief Executive Officer Mr Andrew G Anastasiades. As the directors are employees of the SA Government no remuneration was paid to them by the Corporation. Remuneration payable to the Chief Executive Officer is $110 000 representing short-term benefits. This Officer was the only employee who received remuneration in excess of $100 000.

8. Employee Benefits Costs

	2008	2007
	$'000	$'000
FBT	**4**	4
Salaries	**87**	138
Superannuation and retiring allowances	**79**	18
Other staff expenses	**20**	51
Total Employee Benefits Costs	**190**	211

9. Supplies and Services

	2008	2007
Supplies and Services provided by entities within the SA Government:	**$'000**	$'000
Legal	**9**	6
Insurance	**4**	5
Other	**69**	82
Total Supplies and Services - SA Government Entities	**82**	93
Supplies and Services provided by entities external to the SA Government:		
Legal	**214**	263
Other*	**(54)**	170
Total Supplies and Services - Non-SA Government Entities	**160**	433
Total Supplies and Services	**242**	526

* Refer Note 21 Hellenic Cadastre Consult; 2007 litigation expenses: 2008 expense provision reversal.

SAAMC did not engage during the year any consultants as defined by APF II.

10. Other Expenses

Other	**802**	18
Total Other Expenses	**802**	18

A concurrent lease is held for a property at 77 Grenfell Street, Adelaide (SA Water House) (refer Note 21). The lease was signed in 1993 and is due to expire on 15 November 2008. Pursuant to the terms of the lease the Corporation is paid monthly in arrears and the Corporation pays the lessor quarterly in arrears. As at the end of June the lease payments due to the lessor but not yet billed to the Corporation or offset by concurrent lease receipts were $776 000 ($nil).

11. Auditor's Remuneration

	2008	2007
	$'000	$'000
Audit fees paid/payable to the Auditor-General's Department	**47**	44
Total Audit Fees - SA Government Entities	**47**	44

In respect of 2006-07 the amount paid was $44 000. No other services were provided by the Auditor-General's Department.

12. Bad and Doubtful Debts

Net Credit for Bad Debts Written Off:		
Recoveries net of recovery costs	**(8 185)**	(816)
Net Recoveries Received	**(8 185)**	(816)
Credit for Bad and Doubtful Debts	**(8 185)**	(816)

13. Income Tax

The amount provided in respect of income tax differs from the amount prima facie payable on operating profit:		
Prima facie income tax expense calculated at 30 percent (30 percent) on profit	**3 480**	1 422
Decrease in Income Tax Expense due to Non-Tax Assessable Items:		
Tax exempt income - SAAMC	**3 480**	1 422
Income Tax Expense (Benefit) on Profit adjusted for Permanent Differences:		
Income tax under (over) provided in prior year	**-**	-
Tax rate differential on overseas income	**-**	-
Future income tax benefit not brought to account	**-**	-
Total Income Tax Expense (Benefit)	**-**	-

14. Segmental Reporting

Geographic Segments

Revenue:		
Australia	**12 833**	5 496
Total Revenue	**12 833**	5 496
Profit After Income Tax Equivalents:		
Australia	**11 599**	4 741
Total Profit After Income Tax Equivalents	**11 599**	4 741
Total Assets:		
Australia	**79 567**	71 842
Total Assets	**79 567**	71 842

Industry Segments
The Corporation has operated predominantly in the financial services industry during the course of the year comprising investing, recovery of outstanding debts and management of treasury risks.

15. Investments

	2008 $'000	2007 $'000
Deposits with SA Government entities	**78 422**	69 916
Total Investments	**78 422**	69 916

16. Other Financial Assets

Debtors - SA Government entities	**120**	-
GST receivable	**6**	5
Total Other Financial Assets	**126**	5

17. Payables

Current:		
Creditors	**638**	348
Accrued expenses	**155**	293
GST payable	**39**	42
Non-Current:		
Creditors	**2 504**	2 504
Total Payables	**3 336**	3 187
Government/Non-Government Payables:		
Payables to SA Government entities:		
Accrued expenses	**62**	61
Total Payables to Other SA Government Entities	**62**	61
Payables to Non-SA Government entities:		
Creditors	**3 142**	2 852
Accrued expenses	**93**	232
GST payable	**39**	42
Total Payables to Non-SA Government Entities	**3 274**	3 126
Total Payables	**3 336**	3 187

18. Employee Benefits

Current:		
Annual leave	**33**	27
Accrued salaries	**3**	4
Total Current Employee Benefits	**36**	31
Non-Current:		
Long-term long service leave	**95**	84
Total Employee Benefits	**131**	115

19. Provisions

Workers compensation claims	**3 148**	3 187
Total Provisions	**3 148**	3 187
Carrying amount at 1 July	**3 187**	3 253
Amount charged against the provision	**(39)**	(66)
Carrying Amount at 30 June	**3 148**	3 187

20. Commitments

Superannuation Commitments
The Corporation contributes to an accumulation benefit employee fund, which is administered by the South Australian Superannuation Board and a privately held superannuation fund as elected by one of the employees. Employer contributions to the funds are made in accordance with the funds' requirements.

The Corporation had one part-time and one temporary employee as at balance date. There was one part-time and one temporary employee at the same period last year.

Operating Lease Commitments	2008 $'000	2007 $'000
Concurrent leases payable or contracted for at balance date but not provided for in the financial statements:		
Not later than one year	**2 752**	4 031
Later than one year but not later than five years	**-**	2 064
	2 752	6 095

These commitments are offset by lease payments to be received, which are estimated to be $1.7 million. (The 2007 estimate for recoveries was $6.3 million as compared to commitments of $6.095 million).

21. Contingent Assets and Liabilities

Claims by and against the Corporation

In the ordinary course of business, the Corporation is involved in litigation, which at the date of adoption of these financial statements has not been resolved. Acting on legal advice, the Directors are of the opinion that on balance no material losses are likely to arise other than the amounts provided for in the financial statements.

Hellenic Cadastre Consult (HCC)

In March 2008 the Corporation resolved long standing litigation with the Greek Government connected with breach of contract claims against a SA Government joint venture. The litigants agreed to settle all their disputes and mutually waive any rights that would have arisen from the litigation including damages and legal costs. Pursuant to the settlement the contingent liability no longer exists.

Put Option

A property put option was entered in 1993-94 as part of the sale arrangements of the Australis property, now known as SA Water House.

At the time of the sale, the then Group Asset Management Division (GAMD) (as head lessee) entered into a 15 year lease with the purchaser in relation to a substantial portion of the building, which was backed in cash flow terms against a pre-existing 15 year lease between GAMD and the then Minister for Public Infrastructure (as sub lessee) over the same portion of the building. In addition, GAMD undertook to purchase the building for $39.5 million in November 2008, at the current purchaser's option, if the value of the building at that time is lower than the agreed $39.5 million. An independent valuation at 30 June 2005 valued the property at $40 million. Should the put option be exercised, the Corporation would acquire a $39.5 million asset that would be independently valued in June 2009.

22. Financial Instruments

Categorisation of Financial Instruments

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

		2008		2007	
		Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets	Note	**$'000**	**$'000**	$'000	$'000
Cash and cash equivalents	23(a)	**1 019**	**1 019**	1 921	1 921
Investments	15	**78 422**	**78 422**	69 916	69 916
Receivables:					
Other financial assets	16	**126**	**126**	5	5
Financial Liabilities					
Financial Liabilities - At Cost:					
Payables	17	**3 336**	**3 336**	3 187	3 187

Credit Risk

Credit risk arises when there is the possibility of the Corporation's debtors defaulting on their contractual obligations resulting in financial loss to the Corporation. The Corporation measures credit risk on a fair value basis and monitors risk on a regular basis. There is minimal concentration of credit risk and the Corporation does not engage in any hedging for its financial assets.

Maturity Analysis of Financial Assets and Liabilities

	Contractual Maturity					
2008	**Floating Interest Rate**	**Less than 1 Year**	**1-5 Years**	**More than 5 Years**	**Non-Interest Bearing**	**Total**
Financial Assets:	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalent	**1 019**	**-**	**-**	**-**	**-**	**1 019**
Investments	**17 407**	**-**	**61 015**	**-**	**-**	**78 422**
Receivables	**-**	**-**	**-**	**-**	**126**	**126**
Total Financial Assets	**18 426**	**-**	**61 015**	**-**	**126**	**79 567**
Weighted average interest rate	**7.13%**	**-**	**6.27%**	**-**	**-**	**-**
Financial Liabilities:						
Other financial liabilities	**-**	**-**	**-**	**-**	**3 336**	**3 336**
Total Financial Liabilities	**-**	**-**	**-**	**-**	**3 336**	**3 336**
Weighted average interest rate	**-**	**-**	**-**	**-**	**-**	**-**
2007						
Financial Assets:						
Cash and cash equivalent	1 921	-	-	-	-	1 921
Investments	12 510	-	57 406	-	-	69 916
Receivables	-	-	-	-	5	5
Total Financial Assets	14 431	-	57 406	-	5	71 842
Weighted average interest rate	6.32%	-	6.59%	-	-	**-**
Financial Liabilities:						
Other financial liabilities	-	-	-	-	3 187	3 187
Total Financial Liabilities	-	-	-	-	3 187	3 187
Weighted average interest rate	-	-	-	-	-	**-**

Liquidity Risk
Liquidity risk arises where the Corporation is unable to meet its financial obligations as they fall due. The Corporation is an instrumentality of the Crown and is dependent on State Government policy and on an implicit guarantee from the State. The Corporation settles undisputed accounts within 30 days from the date of the invoice or the date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution. The Corporation's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market Risk
Market risk for the Corporation is only through interest rate risk. Exposure to interest rate risk may arise through the interest revenues received from deposits. The Corporation's cash, cash equivalents and investments are managed through SAFA and any movement in interest rates is monitored on a daily basis. 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 Corporation, as the Corporation does not have any interest bearing liabilities. Fluctuations in interest rates in the next 12 months however may have an impact on future interest earned on the Corporation's investments. The degree by which interest income would be affected would depend on how the fluctuating rates would move the financial markets in which the Corporation invests and how SAFA would manage the relevant investments.

23. Notes to the Cash Flow Statement

	2008	2007
(a) Reconciliation of Cash	**$'000**	$'000
Cash as at 30 June as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:		
Cash and cash equivalents	**1 019**	1 921
	1 019	1 921

	2008	2007
(b) Reconciliation of Net Cash Flows from Operating Activities to Net Profit after Income Tax Equivalents		
Net profit	**11 599**	4 741
Net Cash provided by Operating Activities before change in Assets and Liabilities	**11 599**	4 741
Changes in assets and liabilities:		
Decrease in net interest accrued	**(4 605)**	(4 338)
Decrease in sundry creditors and accruals	**(13)**	(1 876)
Increase in employee entitlements	**17**	49
Net Cash provided by (used in) Operating Activities	**6 998**	(1 424)

24. Related Party Disclosures

Directors
The names of each person holding the position of Director of SAAMC during the financial year ended 30 June 2008 are as follows:

Mr Brett G Rowse
Ms Linda Hart
Ms Kathryn A Moore
Ms Nicolle S Rantanen
Mr Andrew G Anastasiades

Directors' Transactions
No transactions took place between the Directors of SAAMC and related entities and their related parties, including director related entities.

SAFA
Related party transactions with SAFA are disclosed in Note 5 'Interest Revenues' and Note 15 'Investments'. In addition, the Corporation and SAFA participate in the same financial markets and enter into transactions on market terms and conditions.

25. Events Subsequent to Balance Date
There has not arisen in the interval between the end of the financial year and the date of this report any items, transactions or events of a material and unusual nature likely in the opinion of the Directors of the Corporation, to affect significantly the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation, in subsequent financial years.

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Auditor-General

for the

Year ended 30 June 2008

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